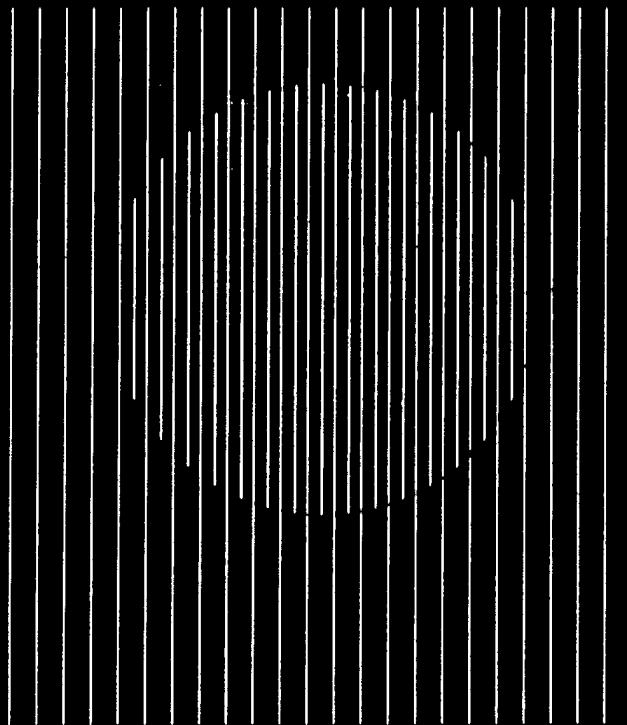


# CBO PAPERS

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CLOSING MILITARY BASES:  
AN INTERIM ASSESSMENT

December 1996



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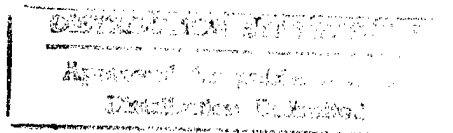
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## NOTES

Unless otherwise indicated, all figures are expressed in 1997 dollars.

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## PREFACE

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In October 1988, the Congress enacted the Defense Authorization Amendments and Base Closure and Realignment Act of 1988, which established a bipartisan Commission on Base Realignment and Closure (BRAC). The purpose of the Commission was to review all military installations inside the United States and recommend which of them to close and consolidate. That Commission and its successors have completed their work and the Congress has authorized the Department of Defense (DoD) to carry out their recommendations. DoD has closed about half of the major installations authorized by the Congress, and will complete closing the remaining bases in about 2001.

This paper, prepared at the request of the Senate Armed Services Committee, examines the base realignment and closure process and provides an interim assessment of DoD's progress to date. It compares reductions to the base support structure with other measures of the defense drawdown as indicators of proportionality within the overall defense drawdown. It also examines DoD's effectiveness in carrying out BRAC procedures and decisions and addresses significant issues concerning the reuse of former military property. Data about the local economic and environmental impacts of BRAC actions highlight areas of major concern to the Congress, and a discussion of DoD's estimates of costs and savings outlines the need for near-term spending in order to achieve long-term savings. In keeping with the Congressional Budget Office's (CBO's) mandate to provide objective analysis, the study makes no recommendations.

Wayne Glass of CBO's National Security Division prepared the paper under the general supervision of Cindy Williams and Neil M. Singer. The author gratefully acknowledges the invaluable assistance of CBO colleagues Shaun Black, Sheila Roquitte, and Doug Taylor, who provided assistance in collecting, analyzing, and presenting the data. The author also wishes to thank David Berteau for reviewing the text and providing suggestions for improvement.

Sherwood Kohn edited the manuscript. Marlies Dunson provided editorial assistance, and Judith Cromwell prepared the paper for publication.

June E. O'Neill  
Director

December 1996

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## **SUMMARY**

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The end of the Cold War significantly reduced many of the nation's military requirements and resulted in major cutbacks in defense personnel, the weapons they operate, and the support services they need. Closing and realigning military bases overseas and in the United States has been an essential part of the post-Cold War drawdown of U.S. military forces. Determining the appropriate quantity and type of bases to close and realign has been a major concern of the Department of Defense (DoD) and the Congress.

Beginning in 1988, when the Congress authorized the first Commission on Base Realignment and Closure (BRAC), the Department of Defense undertook a major review of the military bases supporting active duty and reserve forces and recommended closing and consolidating hundreds of surplus installations. BRAC Commissions convened in 1988, 1991, 1993, and 1995 recommended that the Congress authorize DoD to close 97 of 495 major bases in the United States and realign hundreds of others. According to DoD estimates, it will cost about \$21.5 billion to close and realign those bases. DoD expects that those actions will generate about \$56.7 billion in net savings discounted to present value over a 20-year period.

The Department of Defense has shut approximately half of the bases that the Congress directed to be closed. Action on the final round of closures has only just begun. Many observers have called for the Congress and DoD to consider shutting additional bases beyond those already being closed. This paper provides the Congress with an interim assessment of the BRAC process that could assist the Department of Defense in carrying out its final actions and the Congress in considering whether to close additional bases using the BRAC process.

## **BACKGROUND: ORIGINS AND PROCEDURES OF THE BASE REALIGNMENT AND CLOSURE PROCESS**

The BRAC process introduced a major change in the way that DoD managed its base structure. Between the conclusion of the Vietnam War and 1988, the Department of Defense closed no major bases—a reflection of the military requirements of the time and restrictive legislation that impeded closing bases even if DoD had wished to do so. In the mid-1980s, as defense spending began to fall, the Reagan Administration and the Congress sought to achieve savings by reducing the size of the base structure. In 1988, the Secretary of Defense established and the Congress later authorized a

bipartisan Commission on Base Realignment and Closure to seek greater efficiencies through closing and realigning bases. The BRAC process gained momentum as the Cold War ended, and the Congress authorized additional BRAC commissions to meet in 1991, 1993, and 1995.

Before 1988, the Secretary of Defense could close a major military base only when the Congress approved his recommendation and authorized the necessary funding. Under the old system, the Congress approved closing bases on a case-by-case basis and required DoD to submit extensive reports on the potential strategic, environmental, and local economic consequences of closing a base. The introduction of the BRAC process instituted a new approach requiring the Congress to authorize or reject closing a group of bases recommended by the BRAC—an independent bipartisan commission. The BRAC's recommendations were based on proposals submitted by the Department of Defense and approved by the President. The new process precluded the Congress from making adjustments to the commissions' recommendations and facilitated the process by reducing reporting requirements. Legislation governing BRAC procedures required the Department to begin closing bases within two years and to complete BRAC actions within six years.

The Secretary of Defense issued guidelines to the services to ensure that military requirements would continue to be met in deciding which bases to propose for closure. The military value of an installation—its mission and performance rating—was foremost among the selection criteria. Other evaluative factors included the availability and condition of land, facilities, and airspace; the ability to meet contingency requirements; potential cost and savings; and potential environmental and local economic impact. The services applied those factors in examining their facilities in each of five major categories: fighting, training, industrial, medical, and command and control. Using the Cost of Base Realignment Actions model, the services determined which bases were surplus in each of the categories and recommended closure and realignment actions to the Secretary. Under BRAC procedures, the Secretary submitted his recommendations to the President for review before forwarding a final list of proposed actions to the BRAC Commission. The process prevented the Congress from making adjustments to the Commissions' recommendations before authorizing the DoD to proceed with closures and realignments.

#### COMPARING DEFENSE CUTBACKS WITH BASE CLOSURES: HOW MUCH IS ENOUGH?

There is no clearly defined arithmetical relationship between the size of the military forces and the quantity of bases needed to support them. Determining the appropriate

number of bases to close requires a close examination of military requirements, including contingency plans and strategic projections as well as existing inventories of weapons, manpower, and facilities and their capabilities. The Department of Defense addressed those questions in considering which bases to close. CBO did not evaluate DoD's judgments, but examined whether the planned reductions in the base structure were proportionate to the kinds of reductions that have occurred as part of the overall drawdown.

### Closing Bases Overseas Should Be Considered

Determining whether cutbacks to the base structure are proportionate to other reductions should take into consideration bases located overseas as well as in the United States. CBO's measures of proportionality in this study, however, compare only BRAC actions affecting domestic bases with other measures of defense reductions in recent years. The Department of Defense reports that it has closed 58 percent of its overseas facilities since September 1989—a figure that corresponds roughly with a 53 percent decrease in the number of military personnel who served abroad during the same period. DoD's figures, however, include all sizes of military installations and therefore do not provide a precise measure of the reduction in capacity of overseas bases. How much capacity has been closed overseas would be a more useful measure of proportionality and would also suggest whether reductions to the domestic base structure must be disproportionate, given the overall size of defense reductions both at home and abroad. The Congress could benefit from such information in considering whether to proceed with additional base closures.

### Measures of Proportionality Suggest More Cuts Could Be Made

Defense cutbacks in a number of major categories exceed the value of reductions made in the base structure. Total defense spending measured in budget authority, for example, has declined by more than 35 percent in real terms since 1985 compared with DoD's estimate that the base structure will be reduced by 21 percent when all BRAC actions have been taken. (DoD's estimate measures the "plant replacement value" of facilities—today's cost of replacing comparable facilities, pavements and utilities.) Defense employment, including military and civilian personnel, has fallen by 28 percent, and the Congress has reduced spending for developing and buying weapons by about 54 percent during the past decade.

DoD's estimate of the reduced value of military facilities, however, exceeds cutbacks in spending for operations and maintenance (O&M) and base operations and support (BOS). Spending for O&M has declined by only about 14 percent and

for BOS by 13 percent since 1985. Those figures suggest that additional savings could be achieved if proportionality was an adequate criterion for reducing the size of the base support structure.

#### High Cost of Maintaining Facilities Suggest that Additional Cuts Could Be Useful

Data concerning the relationship between the size of the infrastructure, the number of military personnel, and the cost of maintaining facilities suggest that DoD may not be providing sufficient funds to cover the cost of maintaining facilities. According to DoD estimates, the space per capita of defense facilities in the United States increased by about one-third. At the same time, the Department of Defense estimates that the cost of maintaining those facilities would decrease from about \$11 a square foot in 1988 to about \$8.50 a square foot in 1997. The backlog of maintenance and repair has increased significantly as spending for maintenance has declined. If the costs of maintenance remain at the 1988 level rather than declining as DoD projects, the Department of Defense could be underfunding maintenance of its facilities by as much as \$3.9 billion in 1997. One alternative to making up such a shortfall could be to reduce the size of the infrastructure beyond levels directed by BRAC.

#### PUTTING BRAC INTO PRACTICE: PROGRESS AND PLANS

DoD has closed only about one-half of the bases scheduled for closure by the BRAC Commissions. Many more bases must be closed before that phase of the process is complete. Many more years must pass before DoD completes the transfer of its surplus property to other users to aid in economic recovery for communities affected by base closures. In some instances, environmental cleanup efforts may continue for decades. CBO's assessment, therefore, describes only DoD's performance to date and relies on projections to characterize the future. Those projections, however, serve as a useful baseline from which to examine how BRAC is eventually carried out.

#### DoD Is Closing Bases On Schedule

The law requires that DoD must complete all closures within six years from the date on which the President transmits his approval of the Commission's recommendations to the Congress. DoD considers a base closed when all of its missions have ceased or been relocated, and all personnel assigned to the facility have either been released from service or relocated. DoD reports that it has closed all 16 of the major bases required to be closed by September 30, 1995 and projects that closures directed by subsequent BRACs will be completed by the required dates. As of March 1996, the

Department of Defense had closed 24 of 26 major bases that were to be closed by BRAC II and eight of 28 bases scheduled for closure by BRAC III.

#### DoD Is Carrying Out BRAC Procedures and Decisions Effectively

Closing bases quickly can facilitate the reuse of former military property and help accelerate recovery from the effects of losing an important local economic asset. DoD's experience with carrying out the initial round of BRAC contributed to more efficient closures in successive rounds. By the fourth year of putting BRAC I into effect, for example, DoD had closed only 22 percent of the bases scheduled to be closed. Within a four-year period BRAC II will have closed about 73 percent of its slated bases and BRAC III almost 50 percent.

DoD and the communities affected by BRAC are also completing plans for reusing former military property more efficiently than at the outset of the BRAC process. Final reuse plans outline the disposition of surplus property for virtually all bases affected by the first three rounds of base closures. The Department of Defense reports that the average time taken to complete reuse plans has decreased from about two and one-half years for BRAC I bases to about one year for BRAC III bases. Communities have changed "final" reuse plans, however, and have delayed reuse activities as a result. Future research could identify the degree to which this practice has had an impact on local economic recovery and could be instructive with respect to reuse planning in the future.

Stability is an important feature of the effectiveness of the BRAC process because predictability can affect local economic activity and individual lives. Greater stability in making and carrying out decisions creates an important climate needed to aid in economic recovery. Frequent changes in previous decisions could cause additional costs and delays in closing and realigning bases. Later BRAC commissions have made relatively few changes in earlier BRAC decisions. The BRAC III Commission, for example, recommended only about 7 percent of BRAC actions directed by BRAC I and BRAC II. The Commission's recommendations for BRAC IV would revise only about 6 percent of the total actions by the first three rounds of realignment and closure. In each case, the Department of Defense estimates that the additional costs incurred by changing a previous decision would be more than offset by net savings that could provide economic justification.

### Reuse Plans Will Produce Broad Public Benefits For Federal and Local Jurisdictions

Legislation governing the disposal of excess federal property permits federal and local agencies and jurisdictions to make claims before selling property for private use. Under current law, the Department of Defense can transfer property from one military component to another before offering it to other federal agencies or local authorities. DoD may transfer property for public uses such as airports, educational and health facilities, historic monuments, ports, parks, recreational areas, and wildlife preserves. The Department of Defense may also give property to local authorities for the purpose of economic development or to provide shelter for the homeless.

According to current plans in BRAC I and BRAC II for reusing major bases, federal agencies will retain about 58 percent of the total property. About half of that land contains unexploded ordnance and will be transferred to the Department of the Interior's Fish and Wildlife Service for use as preserves for wildlife. The Department of Defense will keep about 13 percent of the total surplus property for alternative military uses such as providing facilities for the Defense Finance and Accounting Service and reserve and national guard forces. Other federal agencies will retain about 3 percent of the surplus property for public purposes such as prisons and Job Corps training sites.

Communities will use about 20 percent of the surplus property for various public benefits, most of which involve converting former military air bases to commercial airports. Local authorities will also use about 7 percent of the land for parks and recreation areas and about 3 percent of the property for other public benefit purposes including educational facilities, homeless assistance, and state prisons. Communities will also use about 12 percent of the total surplus property for economic development.

### BRAC'S EFFECTS ON PEOPLE, COMMUNITIES, AND THE ENVIRONMENT

Closing military bases can mean severe dislocation for families and economic loss for communities. The Congress has expressed its concern over the full impact of the BRAC process and about ways in which the government can assist individuals and communities in recovering losses. DoD's projections of the potential economic impact of BRAC suggest that the negative effects will be negligible in all but a few cases.

### Federal Assistance Programs Have Aided Communities and Displaced Workers

The Department of Defense and other federal agencies offer a wide range of programs to provide assistance to communities and individuals dislocated economically as a result of base closures and realignments. As of August 1996, the federal government had awarded about \$559 million in assistance grants to communities and workers affected by the first three rounds of BRAC. Four agencies are the principal sources of federal aid. The Federal Aviation Administration has provided about \$182 million to assist in converting military aviation facilities to civilian use. The Office of Economic Adjustment in DoD has awarded about \$120 million to assist communities in planning the reuse of former military properties. The Economic Development Administration in the Department of Commerce has spent more than \$150 million to help communities bear the cost of removing buildings, improving infrastructure, and assisting businesses with loans. The Department of Labor has allocated about \$103 million to help retrain workers.

Those funds, however, do not include the government's costs for a multitude of other assistance programs available to those affected by base closings, such as unemployment insurance, education assistance, Aid to Families with Dependent Children, Food Stamps, Medicaid and others. In addition, local jurisdictions and private employers also provide assistance to displaced workers.

Federal agencies have provided considerable assistance to communities, businesses and individuals affected by BRAC actions, but there are no comprehensive figures on the amount of assistance offered. Nor have analysts examined the effectiveness of those assistance programs. The Congress could request further information regarding the extent and effectiveness of BRAC-related assistance programs to provide an important perspective on possible future needs should DoD close additional bases.

### Environmental Cleanup Is Proceeding Slowly And Growing More Costly

Environmental contamination is widespread among closing bases, including severely polluted sites on bases identified on the National Priorities List—otherwise known as "Superfund" sites. Much of the property on closing bases contains unexploded ordnance and polluted groundwater—two of the most difficult and expensive types of contamination to clean up. DoD estimates that it will spend about \$6.6 billion to clean up bases scheduled for closing during the first four rounds of BRAC. That estimate understates the full cost of cleanup, however, since it covers only the six-year period governing the completion of the BRAC process. In many cases, cleaning

up buried ordnance and contaminated groundwater will probably take much longer than six years and will incur substantial additional operating and support costs.

If history is a guide, estimated cleanup costs will probably continue to rise. In January 1990, for example, DoD estimated it would spend about \$570 million to clean up bases being closed in BRAC I; in March 1996, DoD's estimate increased to about \$1.1 billion. Estimates for cleaning up BRAC II bases have increased from about \$800 million to almost \$2 billion. Estimates are likely to continue to increase because most of DoD's cleanup work is still in the early phase of investigation and analysis. The extent and type of contamination often proves more challenging as sampling and analysis proceeds. Technologies for remediation can also incur unexpected costs if more sophisticated technologies are needed to meet cleanup standards.

The Congress and DoD have taken steps to ensure that contamination does not delay the reuse of surplus property. Legislation now permits leasing contaminated property to permit early reuse while the Department of Defense remains liable for the required cleanups. As of June 1996, DoD signed 552 leases for former military property. Most of the leases are for shorter terms, but some extend for more than 50 years. Some observers have concluded that long-term leases will enable the Department of Defense to avoid its cleanup responsibilities. That view could lead to litigation that could delay reuse of former military property until the courts resolve the issue. The Congress may wish to consider that in forthcoming legislative sessions to ensure that DoD transfers property that can be reused without delay.

In addition, legislation has authorized the Department of Defense to identify uncontaminated parcels of land that may be sold or transferred separately. As of September 1995, DoD had identified about 164,000 acres of land that were uncontaminated. Regulating agencies concurred that about 76,000 of those acres were clean and available for immediate transfer. DoD, however, has not identified how much of that kind of land has actually been transferred.

#### LONG TERM SAVINGS ARE SIGNIFICANT BUT UNCERTAIN

Potential savings, while not the determining factor for base realignment and closure decisions, have been important to the decisionmaking process. Departmental guidance for the first three rounds of BRAC required each BRAC action to demonstrate the potential to achieve net savings within six years. BRAC IV actions were also required to demonstrate potential net savings over an unspecified time. DoD anticipates that all BRAC actions will yield about \$56.7 billion in net savings



over a 20-year period discounted to present value. Most of those savings will accrue, according to DoD, after the implementation period, during which most of the expenses of closing and realigning bases occur. The Department of Defense has incorporated those projected savings into future budget plans. If those projections are not realized, however, DoD may have to redirect funds to pay the unanticipated costs or unachieved savings of BRAC actions, or it may have to request additional funding from the Congress. Confirmation of actual costs and savings would be very useful in determining whether future budget adjustments will be needed.

CBO believes that BRAC actions will result in significant long-term savings, but was unable to confirm or assess DoD's estimates of cost and savings because the Department is unable to report actual spending and savings for BRAC actions. A comparison of DoD's initial and current projections of costs and savings, however, permitted CBO to assess the reliability of DoD's figures as the Congress contemplates whether to proceed with an additional round of base closures.

In January 1990, DoD estimated that the first round of base closures could achieve about \$850 million in net savings during the period from 1990 through 1995. The Department of Defense now estimates that BRAC actions will not produce net savings during that period, but will result in net costs of about \$500 million—about \$1.3 billion less in net savings than the Department originally projected. Overly optimistic projections of revenues from land sales explain much of the estimating error. DoD originally expected to raise about \$2.4 billion in revenues from the sale of property, but has only received about \$74 million in actual sales. In addition, DoD underestimated the cost of environmental cleanup, which has increased from about \$570 million to about \$1.1 billion, according to departmental estimates. At the same time, DoD has reduced its estimates of the costs of military construction and operations and maintenance for BRAC I by about half.

A similar comparison of DoD's initial and current estimates for BRAC II indicates analogous changes. DoD originally estimated that it would net about \$2.9 billion in savings during the 1992-1997 period for the second round of closing and realigning bases. The Department of Defense now estimates that it will save only about \$1 billion. Overoptimistic projections of land revenues and rising costs of environmental cleanup explain much of the difference. Estimates for other categories of costs and savings have also undergone significant adjustments that offset one another.

Given the major adjustments that DoD has made in its cost and savings estimates for the first two rounds, is it reasonable to assume that there will be similar variances in estimates for the final two rounds? The Department of Defense's estimates for land revenues for BRAC III and BRAC IV are considerably more

modest than for the first two rounds, but costs for environmental cleanup could continue to increase significantly above initial estimates. DoD has already made significant adjustments of estimates for other categories of spending and savings for BRAC III that suggest that those estimates remain highly uncertain. The Congress could consider requesting DoD to audit a sample of bases included in BRAC IV to provide some empirical information on costs and savings that could be useful in assessing potential savings from future base closings.

## CHAPTER I

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### INTRODUCTION

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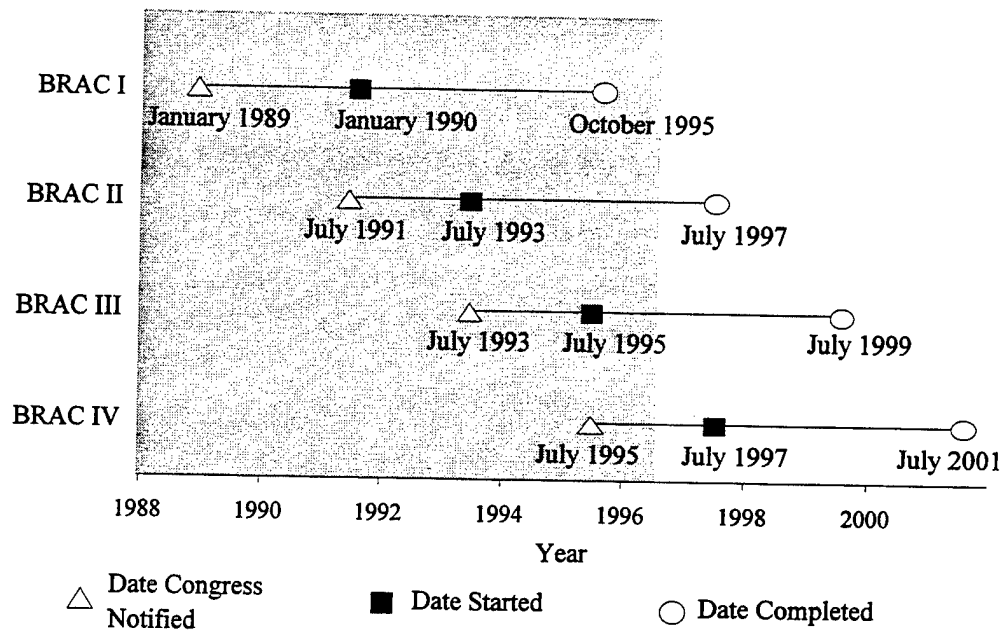
The end of the Cold War brought peaceful relations between former enemies, but it also created the challenge of cutting back military forces and the sources of their support. Nations cannot shift resources suddenly without causing their citizens and economies pain and dislocation. Paradoxically, peace has meant the loss of thousands of jobs. Closing military bases has been among the most difficult tasks that the Department of Defense (DoD) has had to face in an era of reduced threat.

In 1988, the Congress authorized the Secretary of Defense to close and realign military bases in accordance with the recommendations of a bipartisan Commission on Base Realignment and Closure (BRAC). In November 1990, the Congress authorized three additional rounds of base closures in 1991, 1993, and 1995. The Department of Defense has closed and realigned dozens of military bases during the past six years, and will close or realign dozens more during the next decade. Some observers, including the Secretary of Defense, believe that DoD could close even more bases.

The Congressional Budget Office (CBO) has examined the results of the BRAC process, and believes that closing and realigning military bases will give the government significant long-term savings that justify the expense of carrying out BRAC decisions. The BRAC process, however, is more than a matter of costs and savings; it raises a number of important questions that are of concern to the Congress and its constituents. How will the BRAC process—as authorized by the Congress and carried out by the Department of Defense—meet its basic objectives of cutting back military bases and making sure that requirements for a smaller military force are met? Is DoD carrying out BRAC decisions as directed? How will former military bases be used? Is the process of transferring property working? How will BRAC affect national, state, and local economies? What are federal agencies doing to assist communities, businesses, and former DoD employees affected by BRAC?

DoD Has Closed About Half of the Bases Scheduled to be Shut by BRAC. As of April 1996, the Department of Defense had closed slightly less than half—48 of the 97 major military bases scheduled to be closed by BRAC. DoD projected closing six more bases by September 30, 1996. According to original schedules, DoD has shut all but two of the major bases designated for closing under BRAC I and BRAC II. About one-half of the major bases scheduled for closure under BRAC III are already closed, leaving the remainder from that round to be shut down by July 1999. The final round of BRAC has only just begun (see Figure 1).

FIGURE 1. SCHEDULE FOR CARRYING OUT BASE REALIGNMENTS AND CLOSURE (BRACs)



SOURCE: Congressional Budget Office, based on Department of Defense data.

The Department of Defense is far from carrying out all of BRAC's decisions. Therefore, much of the discussion and analysis contained in this study is based on DoD's plans and projections. Analysis of DoD's performance in carrying out BRAC decisions must await actual figures that measure such important Congressional concerns as costs, savings, impact on local employment, and the transfer and reuse of former military property. As these data become available, this paper will serve as a useful marker by which progress in each of these areas may be examined.

Legislation Governing the BRAC Process Has Been Effective. The BRAC legislation enacted by the Congress in 1988 and 1990 contained provisions that have been critical in achieving the primary goals of the program. The laws required the Congress to accept or reject the recommendations of the Base Realignment and Closure Commission in their entirety. They prohibited the Congress from revising the Commission's proposed base closings and realignments; only a joint resolution of disapproval could veto the Commission's recommendations.

In the early 1970s, DoD found it difficult to close some military bases because the Congress limited or denied the Department of Defense's request for funding to do so. In 1977, the Congress assumed a more direct role in the base closure process: it enacted legislation requiring notification from DoD each time the Department intended to close a military base. The Congress also required DoD to report on the strategic, environmental, and local economic consequences of base closings. As a result of that legislation, requirements for time-consuming environmental reports, and the military buildup during the early 1980's, DoD did not close any major bases during the decade before it began the BRAC process. Without the "all or nothing" provision contained in the legislation, political factors would have probably played a more prominent role in determining which bases to close.

The BRAC legislation also endorsed the charter of the Commission, which outlined the criteria for closing and realigning bases. The Commission's charter gave priority to the military value of individual bases, and resulted in recommendations to close facilities that, in the judgement of the military services, had the least military utility. In addition, the BRAC legislation required that closing and realigning bases would result in net savings. Consequently, the BRAC process is expected to achieve significant savings by closing the least-useful military bases without the influence of political bias.

Cutting Back Forces and Bases: How Much is Enough? There is no satisfactory definition of the proper relationship between the size of a nation's military forces and the base structure needed to support it. Consequently, when a nation trims the size of its military, decisions about reducing the supporting base structure lack a theoretical framework to guide the process. Each service must examine its own

operational and contingency plans and requirements. Each must also estimate the personnel, equipment, logistical support, and basing resources needed to meet military objectives. And those assessments must take into account military bases in both the United States and overseas.

Lacking an equation about the proper relationship between base structure and the forces it supports, it is difficult to tell whether cutbacks in overseas and domestic bases are appropriately related to reductions in military forces. Comparing certain measures of defense cutbacks with reductions of the base structure, however, can provide a useful perspective on whether such reductions are comparable.

Although the Department of Defense has closed hundreds of facilities overseas during the past six years, it is unable to provide data on the capacity of those installations that would enable CBO to compare reductions of military forces with cutbacks in the base structure on a global basis. According to current DoD estimates of domestic bases, however, BRAC reductions will decrease the plant replacement value—the cost of replacing facilities and infrastructure—of military bases by about 21 percent. That cutback is slightly less than the reductions in DoD military and civilian jobs that have taken place during the past decade. Cutbacks in DoD budget authority and spending for acquisitions during the past 10 years, however, have significantly exceeded the estimated size of BRAC cutbacks. Spending for base operations and support since 1987 has decreased by about the same percentage—about 21 percent—as has DoD's estimate for the decrease in the size of the base structure.

Although DoD will close a considerable number of operational bases and support facilities, it could make further cuts by consolidating more bases for multi-service use. For example, in February 1995, the Base Realignment and Closure Commission concluded that further consolidations could be warranted among depot facilities, laboratories, test and evaluation centers, medical installations, and helicopter training bases. The Secretary of Defense also indicated that when previous rounds of base closures have been completed, DoD could after several years reasonably make further reductions in the base support structure.

DoD reports that the costs of maintaining facilities has decreased in recent years. If standards of maintenance are maintained and historical costs are indicative, however, DoD could face additional expenses in maintaining base facilities. The Department of Defense could avoid those costs by closing more facilities.

BRAC Implementation Is On Track. The Department of Defense has closed and realigned bases according to BRAC requirements and plans. The Congress has provided sufficient funding each year to enable the Department of Defense to close

all of the bases designated in the first and second rounds of BRAC on schedule. Closure actions called for by BRAC III and BRAC IV are under way and, according to DoD estimates, will also be completed on schedule. DoD has learned from early experiences with BRAC and has accelerated subsequent base closings. According to current data, for example, DoD has closed and realigned bases more quickly in BRAC II than in the initial round and, according to current plans, will also close bases more quickly in BRAC III than in BRAC I. By the fourth year of putting plans into effect, the Department of Defense had closed only 22 percent of BRAC I bases compared with 73 percent of BRAC II bases. DoD plans to close almost 50 percent of the BRAC III bases by the fourth year.

Successive BRAC commissions have revised earlier decisions only infrequently, but DoD projects that the changes will result in significant savings. The BRAC III commission revised only about 7 percent of BRAC actions directed by BRAC I and BRAC II. The BRAC IV commission revised only about 6 percent of the actions directed by the first three rounds. DoD estimates that these revisions will result in almost \$2 billion in additional net savings, although the initial costs of carrying out closings will also be considerable. The Department of Defense estimates that those changes will cost about \$1.7 billion to effect.

Revisions of earlier BRAC decisions occurred early enough in the process so that they did not cause major disruptions in closing schedules or local communities. When a commission chose to revise an earlier decision, it made sure that the change would satisfy military requirements and achieve greater savings than had been projected by the initial decision.

Planning for Reuse Benefits Government Agencies And Communities. Closing bases successfully—achieving the timely reuse of former military property for public and economic benefits—requires close cooperation among government agencies and communities. The Congress, DoD, and local communities have taken significant steps toward that goal, enabling the process of planning reuse to proceed effectively. Close cooperation has enabled communities to complete reuse plans for virtually all of the bases being closed in the first two rounds of BRAC. The Congress and DoD have ensured cooperation between the federal government and communities, for example, by requiring broad participation in planning reuse so that all viewpoints are considered. The Office of Economic Adjustment in DoD provided professional resources and funding to assist communities in creating reuse plans. In addition, BRAC legislation established a schedule ensuring timely transfer of property to other federal entities, state or local governments, or private purchasers. As a result of the initiatives described above, state authorities have been able to complete reuse plans in less than one-half of the time taken during the first round of BRAC, and local authorities have revised reuse plans that could delay achieving redevelopment goals.

According to current plans for the first two rounds of BRAC, the federal government will retain most of the property on former military bases. About half of that property is contaminated with unexploded ordnance and will be used for wildlife preserves. The Department of Defense will retain some property for use by military reserve forces and to accommodate consolidation of Defense Finance and Accounting Service centers. Other agencies will use surplus property for prisons and Job Corps training sites.

Local authorities will use about one-third of the property, composed chiefly of former military air bases being converted for commercial use. Communities will use most of the remaining property for economic development purposes and for such public benefits as educational facilities, housing for the homeless, and parks and recreation.

Although DoD is doing a good job of divesting itself of surplus property released by base closures, the process has not brought in much money. The Department of Defense will convey most of the surplus property to other federal agencies or to local jurisdictions at no cost, or at substantially less than fair market value. Sales of surplus property have brought in considerably less revenue than DoD originally projected, contributing to a less favorable return than anticipated on the costs of closing bases. Nevertheless, in a number of cases, such as at Norton Air Force Base and the Sacramento Army Depot, the Department of Defense will receive modest payments of as much as \$60 million from local redevelopment authorities for negotiated sales or leases. According to current reuse plans, however, DoD will sell very little surplus property directly to private purchasers at full market value.

Progress In Reusing Bases Is Limited And Varied. Although there have been successful conversions of former military properties, it will be some time before communities across the nation are fully compensated for the job losses caused by base closings. As of August 1996, communities affected by BRAC had replaced some 88,400 lost civilian jobs with about 18,300 new jobs. Moreover, the loss of military income may have serious economic effects on small remote communities with limited economic alternatives.

Nevertheless, there have been a number of successful conversions. In Sacramento, for example, the former Sacramento Army Depot will house Packard Bell's computer manufacturing operations. Local officials believe that Packard Bell will employ between 2,500 and 3,000 people and could create an additional 2,500 jobs for suppliers in the region. Packard Bell's presence could more than offset the approximately 3,164 jobs lost when the depot was closed. The local redevelopment authority in Alexandria, Louisiana—a city of about 50,000—has contracted with a variety of tenants who have created more civilian jobs than were lost when the



Department of Defense closed England Air Force Base. The new state prison facilities and small manufacturing companies in Beeville, Texas have created more than 1,500 jobs—about 600 more than the number of civilian jobs lost when Chase Naval Air Station closed. Other instances of successful reuse have taken place at Pease Air Force Base near Portsmouth, New Hampshire; at Lowry Air Force Base in Denver; and at Fort Ord near Monterey, California.

Many communities, however, have had difficulty converting former military bases to offset local employment losses. The task is especially hard in remote areas where the local economic structure is limited. Conversion of Loring Air Force Base near the town of Caribou, Maine, for example, has been unable to replace the 1,326 civilian jobs lost when DoD closed the base. The planned location of a Defense Finance and Accounting System center will help to offset the loss by bringing about 500 new jobs to the area, but many additional slots will be needed to replace the lost defense workers.

The Congress And DoD Have Moved To Facilitate Reuse. The Congress has taken many steps to facilitate the reuse of former bases but could accelerate the process further. As mentioned above, legislation governing the review process has helped improve the timely transfer of property. Tighter deadlines could further accelerate the process. Recent BRAC legislation authorized DoD to lease property and speed their reuse by transferring uncontaminated parcels of land. Leasing permits local redevelopment authorities to reuse property before DoD has completed any necessary environmental cleanup. (According to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 as amended, DoD must clean up contaminated property before selling or transferring its title.) The Congress also amended the BRAC law in 1994 to permit DoD to transfer property to communities at less than fair market value in order to assist in local economic recovery.

The Department of Defense has also worked to accelerate the process of transfer and reuse through various programs and management initiatives. The Office of Economic Adjustment (OEA) assists communities by providing professional and financial support for planning the reuse of former military bases. OEA has increased the average planning grant from about \$85,000 in 1991 to about \$570,000 in 1995, and will spend an average of about \$30 million per year during the next five years to help communities affected by BRAC. In addition, the President's July 1993 Five-Point Plan for Revitalizing Base Closure Communities established procedures to carry out management and legislative changes accelerating the transfer and reuse of property. For example, DoD has created interagency environmental cleanup teams to analyze contamination problems at each base that is closing and propose solutions to facilitate speedy transfer or reuse of property. In addition, the Department has assigned a base transition coordinator to each facility to act as a community advocate

in monitoring and coordinating issues concerning the communities and the federal government.

BRAC Closures Have Had A Limited Economic Impact. When they are completed, BRAC actions will affect virtually every state, but according to DoD projections will have a small effect on employment on national and state levels.

In 1995, the BRAC Commission projected that the combination of all BRAC closure and realignment actions would result in some 236,000 fewer jobs, representing the direct and indirect effects of closing and realigning bases. Those cutbacks would amount to about two-tenths of one percent of total employment in the United States as of August 1996. At the state level, the Commission projected that no state would lose more than 1 percent of its employment as a result of BRAC actions.<sup>1</sup>

Although DoD projects that BRAC actions will have a negative impact on many states and communities, others will benefit. For example, the Commission estimates that as a result of realignments, 29 states will lose jobs, but 19 will gain employment. Local communities will also experience gains and losses, but are likely to feel the impact more severely than states. Heavily populated areas such as Chicago, Dallas, and New York are not likely to suffer major increases in unemployment because of base closures. Unemployment in smaller locales with less diverse economies, however, could increase substantially. Notwithstanding, a recent RAND study found that in several smaller California communities that were affected by base closures, tax revenues, retail sales, real estate values and other economic and demographic measures were not influenced as severely as had been projected.

Federal Assistance Programs for Communities and Workers Affected by Base Closures. The federal government provides a wide range of programs to assist communities and workers affected by base closures and realignments (see Chapter 5). Many programs existed before the BRAC process and remain available to aid workers and communities. DoD, for example, helps employees find jobs within the Defense Department or other federal agencies, assists them in relocating if necessary, provides involuntary separation pay and benefits, and helps retrain them through such programs as the GI Bill. In addition, unemployed defense workers are eligible for various entitlements including unemployment insurance, education assistance and loans, Aid to Families With Dependent Children, Food Stamps, Medicaid, and other support programs. Existing federal programs, such as Community Development

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1. The Commission projected that unemployment in Guam could increase by about 8 percentage points as a result of BRAC actions.

Block Grants, Urban Development Action Grants, and Small Business Administration Loans provide economic assistance to communities.

The Congress has provided a modest amount of funding—about \$559 million as of August 1996—to various federal programs established specifically to assist workers and communities affected by base closures and realignments. Special grants administered by the Office of Economic Adjustment in DoD help communities plan the reuse of former military properties. The Federal Aviation Administration provides support to assist communities in converting military air bases to commercial use. The Economic Development Administration in the Department of Commerce provides financial assistance to help communities redevelop their economies and the Department of Labor manages a special program to help retrain displaced defense workers. Although a broad consensus supports those programs, studies have yet to determine their effectiveness.

Progress In Environmental Cleanup Is Limited And Costs More Than Expected. Environmental contamination is widespread among bases being closed by BRAC. Progress in cleaning up polluted sites is limited—as of February 1995 about 70 percent of contaminated sites on 49 bases being closed in the first three rounds were still in the study phase of the reclamation process—and costs are proving much higher than DoD originally estimated. The Department of Defense estimates that it will spend about \$6.6 billion to clean up bases scheduled for closing by the BRAC Commission during the period they are being closed. DoD now estimates that cleaning up BRAC I bases will cost almost twice as much as it originally estimated in 1990; estimates of cleanup costs for BRAC II bases have also about doubled since 1991.

The Department of Defense will not finish much of the cleanup work on most BRAC bases for many years. More than half of the bases being closed by the first three rounds of BRAC, for example, have contaminated groundwater. Cleanup of contaminated groundwater is expensive and, in some cases, may require decades to complete. About one-third of the bases being closed in the first three rounds have unexploded ordnance on the property. Cleaning up unexploded ordnance is extremely costly and can entail considerable risk.

The Congress, DoD, the Environmental Protection Agency, and local communities have been working to balance the necessity of cleaning up contamination with the need to help offset economic losses of base-closings by facilitating the reuse of surplus property (see Chapter 5). The Congress has accelerated the reuse of former military property, for example, by granting the Department of Defense permission to lease contaminated property and transfer

uncontaminated parcels of land to nonfederal users. Despite such actions, reuse of contaminated property and clean parcels has been limited.

The Department of Defense is already reducing potential cleanup costs. One approach involves delaying the treatment of areas contaminated with unexploded ordnance by transferring them to the Fish and Wildlife Service for use as wildlife refuges. DoD could further reduce spending in the short term and protect projected savings from erosion by delaying other types of cleanup efforts on BRAC bases. Delays could be based on priorities that award funding for the cleanup of only those areas most threatening to human health and safety and those promising the greatest economic return on investment in reuse. Such delays, however, could risk increasing the scope of contamination problems if left unchecked and could ultimately lead to even higher treatment costs. Advances in decontamination technology, if successful, could offset potentially higher costs.

DoD Will Achieve Significant Savings Through BRAC. Reducing the costs of the country's system of military bases has been a primary goal of the BRAC process from the outset. CBO believes that in the long term, BRAC will generate substantial savings that justify the considerable short-term costs of closing and realigning bases. But because the task is only about half finished and DoD is not able to provide figures on actual savings, CBO must assess potential costs and savings indirectly.

The Department of Defense estimates that BRAC actions will provide net savings of about \$56.7 billion over a 20-year period discounted to present value. DoD has programmed those savings into future budget plans and risks the budgetary consequences if it fails to achieve those savings. If the costs of putting BRAC into effect prove to be higher than projected—or the savings or revenues prove lower—DoD will have to provide funds from other sources to pay BRAC costs, cover for unrealized BRAC savings, or delay completion of the program.

Comparing successive estimates for the first three rounds of BRAC reveals considerable variation among the categories of costs and savings. For example, DoD significantly overestimated the potential revenue it would gain from the sale of surplus property and underestimated the cost of environmental cleanup for the first two rounds of BRAC. DoD has adjusted its estimates for those categories in subsequent rounds, but the Department of Defense's initial overoptimism suggests that there may be further adjustments. DoD has also adjusted its estimates for the costs and savings of military construction and base operations and maintenance, suggesting that a significant degree of uncertainty may exist in those categories as well.

## **CHAPTER II**

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### **CLOSING MILITARY BASES: ORIGINS AND PROCEDURES OF THE BASE REALIGNMENT AND CLOSURE PROCESS**

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During the decade following the end of the Vietnam War, the Department of Defense maintained a strong network of military bases for the support of operational forces in the United States. DoD closed no major bases between 1977 and 1988; it had already shut down hundreds of installations during the final years of the Vietnam War and needed to maintain a stable system of military bases to support force levels that had been programmed for the late 1970s and early 1980s. In addition, the Congress enacted legislation in 1977 establishing procedural requirements governing base closures that effectively discouraged DoD from pursuing such cutbacks.

Before 1977, the Secretary of Defense designated bases to be closed and requested funds from the Congress to do so. The Congress influenced the base-closure process through its power to authorize, limit, or withhold funding. In 1977, the Congress passed legislation requiring the Department of Defense to notify the Congress when it intended to close a military base, and to prepare reports on the potential strategic, environmental, and local economic consequences. Because those studies and environmental impact statements required under the National Environmental Policy Act took a considerable time to complete, the legislation had the effect of discouraging DoD from seeking base closures.

As real decreases in authorized defense spending began showing up in the mid-1980s, however, many in the Reagan Administration and the Congress sought to achieve efficiencies and savings by reducing the size of DoD's base structure. In 1983, the President's Private Sector Survey on Cost Control, known as the Grace Commission, recommended that a special commission be established to close military bases. Members of Congress called for cutting back DoD's base structure as a way of achieving needed efficiencies. In May 1988, the Secretary of Defense established a Commission on Base Realignment and Closure to respond to these concerns.

The Congress enacted the Defense Authorization Amendments and Base Closure and Realignment Act in October 1988, giving the Secretary's Commission legislative authority and outlining the basic procedures to be followed in the BRAC process. Later, the Congress voted to extend the base-closure process beyond the initial 1988 round when it approved the Defense Base Closure and Realignment Act of 1990. Under that act, the Congress authorized the Commission to convene in 1991, 1993, and 1995 and extended the basic procedures set forth in the initial legislation.

The BRAC legislation enacted in 1988 and 1990 outlines steps for appointing the Commission and for developing, reviewing, and carrying out recommendations made by the executive branch, the Commission, and the Congress for closing and realigning bases (see Figure 2). The acts directed the Department of Defense to make its recommendations to the Congressional defense committees, (the Senate Armed Services Committee, the House National Security Committee, and the Committees on Appropriations of the Senate and the House of Representatives) and to the Commission during the spring of the years scheduled for BRAC reviews.

Upon receiving DoD's recommendations, the Commission held public hearings and made its recommendations to the President at the beginning of July. The legislation permitted the Commission to revise DoD's recommendations, providing it explained and justified its choices to the President and the Congressional defense committees. The President completed his review of the Commission's recommendations and reported his approval to the Commission and the Congress in the middle of July. The law permitted the President to recommend changes in the Commission's recommendations for further consideration before he submitted his report to the Congress. If the President called for revisions, the Commission was required to submit a revised list back to the President by August 15. If the President approved the Commission's recommendations, the Congress had 45 days in which to enact a joint resolution of disapproval if it chose not to accept them. The Congress did not approve a joint resolution of disapproval for any BRAC round.

### KEY ELEMENTS IN CLOSING AND REALIGNING BASES EFFECTIVELY

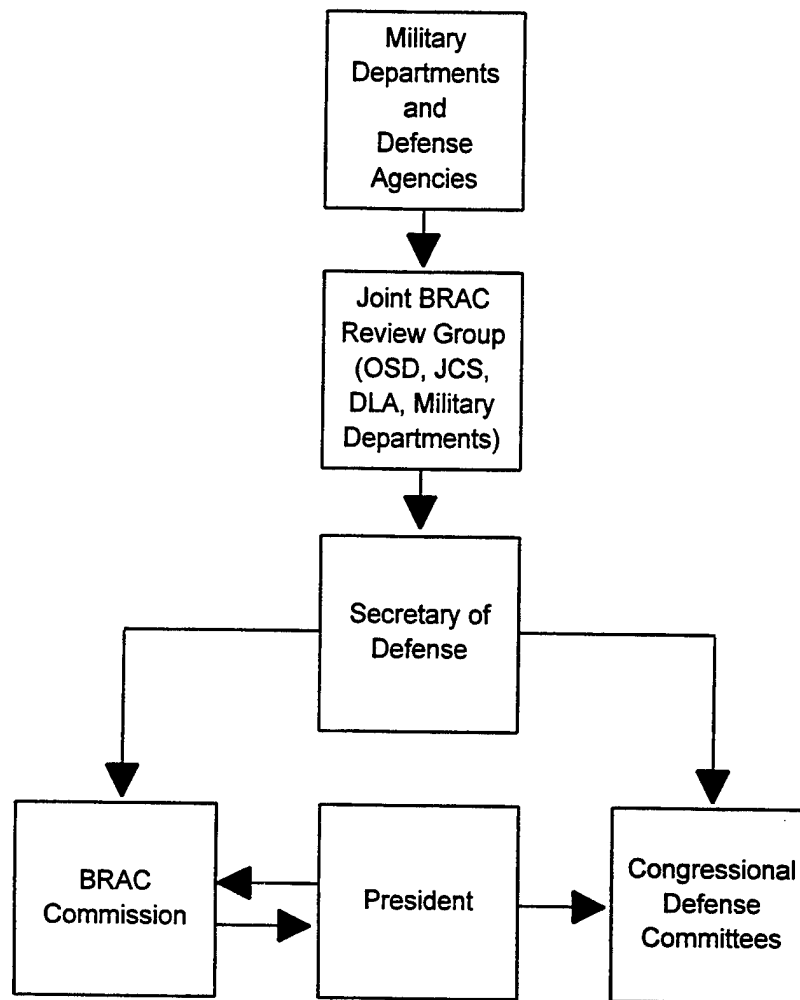
Before 1988, any decision to close a military base was a potentially contentious political issue. In the early 1970's, the Secretary of Defense designated bases to be closed and the Congress exercised indirect control over those decisions through funding allocations as a part of the budgetary process. In 1977, the Congress inserted itself more directly into the base-closure process by enacting legislation requiring notification by DoD whenever it intended to close a base at which 500 or more civilians were employed.<sup>1</sup>

As in the early 1970s, the Congress could choose to accept or reject DoD's proposals by means of individual funding decisions made during the annual budgetary process. Under those procedures, the Congress could consider each recommendation separately. The potential for political factors to influence decisionmaking was significant. BRAC legislation enacted in 1988 and 1990 virtually removed the case-by-case political tradeoffs, thereby enabling the Depart-

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1. Military Construction Authorization Act of 1978, P.L. 95-82, 10 U.S.C. 2687.

FIGURE 2. SUMMARY OF THE BASE REALIGNMENT AND CLOSURE PROCESS



SOURCE: Congressional Budget Office.

NOTES: BRAC - Base Realignment and Closure.

OSD - Office of the Secretary of Defense.

JCS - Joint Chiefs of Staff.

DLA - Defense Logistics Agency.

ment of Defense to begin sizing the base structure to reflect the reduced-force requirements of the post-Cold War era.

The Congress' primary objective in developing procedures governing the work of the Base Closure and Realignment Commission was to make sure that the BRAC process would avoid the political pitfalls that accompanied base closings during the 1970s. The Defense Authorization Amendments and Base Closure and Realignment Act of October 1988 and the Defense Base Closure and Realignment Act of 1990 contained an important provision that minimized the potential impact of political factors: it prohibited members of the Congress from amending the recommendations of the Commission.<sup>2</sup> BRAC legislation permitted the Secretary of Defense, the Commission, and the President to make adjustments in the list of recommendations.

Once the President submitted his final report with the Commission's recommendations to the Congress, however, the law permitted no further changes. In effect, the Congress was required to accept or reject all of the recommendations of the Commission. As a result, the Congress permitted the Commission's recommendations to go through for each BRAC round without being blocked by political partisanship.

The latter BRAC legislation also sought to minimize the potential for disruptive political influence by requiring that the Commission be appointed in a bipartisan manner and that its deliberations be open to Congressional scrutiny and public participation. Accordingly, the act required the President to appoint eight members to the Commission, including two in consultation with the Speaker of the House of Representatives, two in consultation with the majority leader of the Senate, and one each in consultation with the minority leaders of the House and the Senate. The act directed that all meetings of the Commission, except those in which classified information was discussed, were open to the public. In addition, the legislation required that all proceedings, information and deliberations of the Commission would be open upon request to designated majority and minority members of the Congressional leadership.

#### Determining Which Bases to Close

Effective application of the BRAC process not only required adjusting the political process of review and approval, but rested on analysis of changing national security

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2. Defense Authorization Amendments and Base Closure and Realignment Act of 1988, P.L. 100-526, 10 U.S.C. 2687.



needs and cost-saving objectives. In every guidance promulgated for each round of BRAC, the Secretary of Defense directed the services to place the highest priority on maximizing "military value" in determining which bases to recommend for closure in each BRAC round. He identified the following criteria in evaluating the military value of defense installations:

- o Current and future mission requirements (as contained in DoD's force structure plans) and the impact on the operational readiness of the military's total forces;
- o The availability and condition of land, facilities, and associated airspace at existing and potential locations that could receive units being transferred;
- o The ability to accommodate basing requirements to meet contingency plans, mobilization of forces, and general basing requirements for total forces at existing and potential locations that could receive units being transferred; and
- o Cost and manpower implications.

The Secretary also ordered the services to consider the economic return on investment—the extent and timing of potential net savings—in evaluating alternative potential closures. During the initial BRAC round in 1988, DoD recommended closing only bases for which the potential cost savings would exceed the cost of closing within a six-year period. The DoD removed that restriction during subsequent rounds of BRAC, but required that the services measure and demonstrate the timing and extent of net savings for each installation that was proposed for closure.

Finally, since BRAC posed a potential for significant economic and employment losses in local communities, the Secretary directed the services to examine those potential effects of closing bases on their respective communities. In addition, the Secretary directed DoD components to consider the existing and potential capabilities of communities' infrastructures in evaluating alternative plans for closures and realignments.

The Secretary also directed the services to consider the environmental impact on communities of closing or realigning bases. The services were not to consider the cost of environmental cleanup, however, in choosing which bases to recommend for closure. The Commission concluded that since the Department of Defense was responsible for cleaning up contamination on its facilities, DoD would be liable for

those costs whether or not a base was scheduled to be closed. According to the Commission, cleanup costs, therefore, were not to be included in calculating the alternative returns on investment for different bases.

In choosing which bases to recommend for closure, the services categorized their installations according to military mission areas, quantified the characteristics of the bases according to the criteria set forth in the Secretary's guidelines, and ranked them. The Army examined facilities in each of five major categories: fighting, training, industrial, medical, and command and control. The Air Force established major categories for bases dedicated to flight operations, industrial and technical support, training, reserve components, and other purposes such as major headquarters and cantonments. The Department of the Navy (including the Marine Corps) considered installations according to three major mission areas: military personnel, weapon system and material, and support of operating forces from the shore.

Although each of the services developed a methodology for calculating which bases to close in each major category, DoD issued guidelines standardizing the services' measures of certain criteria when evaluating facilities in order to ensure uniformity and comparability. For example, DoD required the services to use the Cost of Base Realignment Actions (COBRA) model, developed by the Logistics Management Institute for calculating potential costs, savings, and returns on investment as a part of defining a base's military value.<sup>3</sup> The Logistics Management Institute (LMI) developed the Cost of Base Realignment Actions model with the assistance of the military services to support the work of the initial BRAC commission. LMI and the services have continued to refine the model, updating it for changing cost factors, so that subsequent BRAC commissions can use it. Data from the COBRA model was an essential tool for various reviewing authorities, including the Base Realignment and Closure Commission, in evaluating alternative closures and realignments at different stages in the BRAC process. In addition, DOD directed the services to use uniform measures in calculating the potential local economic impact of closing or realigning bases.

The Department of Defense also conducted a special review during BRAC 1995 to examine various types of support installations that are common among the services. DoD sought ways to cut back and consolidate installations to meet common service requirements for support in five major areas: depot maintenance, laboratories, test and evaluation, medical facilities, and undergraduate pilot training.

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3. Logistics Management Institute, *COBRA: The Base Closure Model*, Report PL809TR1 (Bethesda, Md.: LMI, February 1989).

Joint cross-service groups analyzed installations in those categories and gave the services alternatives to consider.

### The Base Realignment and Closure Account: Stable and Sufficient Funding

Closing and realigning military bases is an expensive process that requires significant funding in the near term to pay for relocating forces. Factors considered include military personnel and their families, weapon systems and support equipment, and various support activities such as medical, recreational, and administrative facilities. The Department of Defense must also fund construction projects at receiving installations to accommodate the people, weapons, and support equipment that have been transferred. DoD also provides funds to assist communities in planning for economic recovery where bases have been closed or cut back as a result of realignment. In addition, DoD is required to pay for cleaning up contaminated sites on bases that are being closed and must also pay the costs of taking care of property after a base is closed and before it is transferred to a new owner.

In order to close and realign bases efficiently, funding must be provided that is sufficient, flexible, and stable enough to meet requirements. To meet those objectives, the Congress authorized the Department of Defense Base Closure Account in 1988 as a special fund to be administered by the Secretary of Defense in conducting closure and realignment activities for BRAC I through September 30, 1995. The Congress extended the Base Closure Account in 1990 to cover the additional rounds of BRAC authorized by the "Defense Base Closure and Realignment Act of 1990." The extension also funds environmental cleanup and property management and disposal of BRAC I facilities after the expiration of the initial account's funding authority. The account's finances were first authorized in 1988.

Although the Congress could have exercised its power to reduce funding for BRAC as a part of the annual budget process, it has rarely done so. The Congress has funded virtually all that DoD requested during the 1990-1996 period by authorizing about \$14.8 billion. With the exception of a Congressional rescission of \$507 million from the BRAC account in 1994, total funding for BRAC has been stable and sufficient to meet requirements. Indeed, DoD has not only successfully met BRAC schedules for closing bases, it has accumulated a significant amount of unexpended and unobligated funds. Since the BRAC legislation gave the Department of Defense the flexibility to shift funds within the BRAC Account, DoD has been able to reprogram unused funds from subaccounts in which requirements have declined in order to pay for the increasing costs of environmental cleanup.

### Getting the Job Done: Implementation Authority

Clear lines of authority can be vitally important to the success of such complicated programs as the closing of bases. BRAC legislation authorized the Secretary of Defense to take all actions necessary—from planning to execution of transfers of personnel, equipment, and property—to carry out BRAC decisions. In particular, the law specifies that the Administrator of General Services must delegate authority to the Secretary of Defense to utilize or dispose of excess property and facilities in accordance with the Federal Property and Administrative Services Act of 1949, the Surplus Property Act of 1944, and the act of May 19, 1948, governing surplus property for wildlife conservation. Those laws establish procedures and priorities in disposing of surplus property among various entities, including federal agencies, local jurisdictions, and private purchasers.

Although legislative authority is essential to the effective disposal of former military bases, it may not be sufficient to guarantee that such property is reused in the most effective way. Local concerns and priorities are essential elements in planning reuse. The BRAC legislation requires that DoD offer planning and economic adjustment assistance to any community located near a military installation that is being closed or realigned. In addition, the law also requires that the Secretary of Defense consult with the governor of the affected state and the heads of local governments in considering plans for reusing former military property and facilities. In practice, DoD has met with local redevelopment authorities or state and local jurisdictions to discuss the disposition of surplus property (see Chapter 4).

Success in carrying out programs requires that decisions, once made, are not frequently revised. Although BRAC legislation authorizes the Secretary of Defense to put BRAC decisions into effect, it does not permit him to revise them. That authority rests only with the BRAC commission as approved by the Congress. The Congress has approved a limited number of changes in BRAC decisions that met the Secretary's selection criteria emphasizing military value and cost effectiveness (see Chapter 4).

### **CHAPTER III**

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#### **COMPARING DEFENSE CUTBACKS WITH BASE CLOSURES: HOW MUCH IS ENOUGH?**

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Authorization for defense spending began to decline incrementally in 1986 and accelerated as the Cold War ended during the early 1990s. Reductions in defense spending reduced the size of the military, eliminated thousands of jobs, cut back purchases of arms, and slowed the deployment of new weapons. During the period of drawing down defense forces, the Department of Defense undertook the closing of hundreds of military bases. The Secretary of Defense designated the bases to be closed on foreign soil and has since managed that process within DoD. Beginning in 1988, as a result of the Congress's approval of the Base Realignment and Closure Commission's recommendations, DoD also began to close and realign hundreds of domestic military bases. The task that the Congress, DoD, and the BRAC Commission addressed was to seek cutbacks in the domestic base structure that were consistent with reductions in the military forces without slighting defense requirements.

It is difficult to determine how many bases to close without a clearly defined scheme of requirements, priorities, weightings, and metrics. Evaluating whether the Department of Defense has closed an appropriate number of military bases requires a close examination of requirements, contingencies, and existing inventories and capacities. DoD is unable to provide detailed information about foreign bases that, in combination with available data on closing domestic bases, could make it possible to compare worldwide cutbacks in the base support structure with reductions in the size of U.S. military forces.

The Department of Defense reports, for example, that it has closed 58 percent of its overseas facilities since September 1989. That reduction corresponds roughly with the decrease—53 percent—in the number of military personnel who served abroad during the same period. DoD's figures for overseas facilities, however, include all sizes of military installations. There is therefore no uniform measure of reduction in the capacity of those bases that could be associated with the cutback in the number of personnel stationed overseas. Nevertheless, the figures suggest that cutbacks in overseas basing approximate a similar magnitude in troop withdrawals.

If one accepts the limitations of the available data, and assumes that cutbacks in the base structure approximate general measures of reductions in military forces, more closures and consolidations of domestic bases could take place. Many believe, however, that enough bases have been closed and that additional closures would jeopardize the nation's ability to respond to emerging military threats. In any event,

the various measures of the defense drawdown discussed below provide a useful frame of reference for considering whether additional closures could be warranted.

## DIMENSIONS OF THE DEFENSE DRAWDOWN

Cuts in funding provide a basic measure of the defense drawdown during the past decade. Although reductions in the overall defense budget have been significant, the decrease in funding for the appropriation account most directly related to military bases—operations and maintenance (O&M)—has been relatively modest. Measured in budget authority, total defense spending has declined (in 1997 dollars) from about \$404 billion in 1985 to about \$258 billion in 1996—a drop of more than 35 percent in real terms.<sup>1</sup> Spending for O&M declined from about \$111 billion to about \$96 billion, about 14 percent, during the same time period. Spending for base operations and support—a budget category within the O&M appropriation—decreased by about 13 percent between 1985 and 1995. Those relatively modest reductions indicate that O&M funding, and particularly spending for base support, has declined much less than general cutbacks in defense spending.

Cutbacks in other defense appropriation accounts have been more severe than those for O&M and base operations and support. DoD's procurement of military weapons, for example, took the heaviest cut during the past decade. Budget authority for military procurement fell from \$134 billion in 1985 to about \$46 billion in 1995—a cutback of about 66 percent in real terms. Funding for research and development for new weapons decreased from about \$44 billion to about \$36 billion during the same period. Altogether, the Congress reduced annual funding for defense acquisition (including funding for procurement and research and development) by about 54 percent during the past decade; from about \$178 billion to about \$82 billion.

Ultimately, the size and characteristics of the supporting base structure should reflect the corresponding dimensions of the force structure and how it could be employed. The number of air bases, army installations, and naval facilities should be sufficient to house, train, and operate the wings, divisions, and fleets of the military services. No single measure of reductions in DoD's force structure can satisfactorily characterize those cutbacks in a way that relates them directly to appropriate reductions in the supporting base structures. The range of reductions in the components of the force structure, however, suggest approximate benchmarks for gauging the appropriateness of BRAC cutbacks.

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1. Budget authority refers to the authority granted by the Congress to federal agencies to enter into financial obligations that result in outlays of federal government funds. "Outlays" refers to the actual disbursement of cash necessary to meet federal financial obligations.

The Department of Defense made major reductions in force structure during the 1990-1995 period (see Table 1). DoD plans additional cutbacks in strategic, army, navy, and airlift forces by the end of the decade in accordance with the Bottom-Up Review (BUR) plan of October 1993. The BUR set the Clinton Administration's basic plan for military strategy and associated force structure. Most of those reductions, planned for completion in 1999, have already been carried out. The number of aircraft carriers and tactical air wings are already at levels called for by the BUR. Most of the planned cutbacks in battle force ships, intercontinental ballistic missiles and sea-launched ballistic missiles have already taken place. The remaining major cutbacks include two more army divisions and 38 aircraft used for airlift.

### BASE REALIGNMENTS AND CLOSURES: WHAT HAS BEEN DONE?

Measures of cutbacks in base support structure are as diverse and limited in their applicability as those describing the defense force structure. Some aggregate measures used by DoD, however, may be helpful in assessing the general relationship between the defense drawdown and cuts in the base structure. For example, DoD will close 97 out of 495 major military bases in the United States—about 20 percent—as a result of BRAC I through BRAC IV. DoD reports that when completed, those closures will reduce the plant replacement value (the cost of replacing all the buildings, pavements, and utilities at a military base) of major DoD installations by about 21 percent (see Figure 3).

How do BRAC decisions balance actions taken to close bases that are used primarily for operating forces against closures of administrative and support facilities? When BRAC is completed, DoD will have closed a significant number of bases used primarily by operating military forces. Indeed, the first two rounds of BRAC closed a large number of operating force bases in relation to bases used primarily for administrative and support functions (see Figure 4). As the Department of Defense reduces various elements of the force structure, and as BRAC is carried out, DoD will also close many of the corresponding types of bases. For example, the Air Force will cut the number of its fighter wings by about one-half and transport aircraft by about 15 percent. When all rounds of BRAC have been completed, it will close 22 major operational air bases. The Air Force reports that after BRAC has been completed, 52 of 74 major bases for active force structure units in the United States will remain operational. The Navy will close 10 of 17 naval stations to accommodate 37 percent fewer battleforce ships. It will also close 12 of 29 naval air stations, reflecting a 27 percent cut in the number of active and reserve air wings. The Army will close 10 major combat and training facilities, representing a cutback in the number of active and reserve divisions of about one-third.

TABLE 1. U.S. MILITARY FORCE STRUCTURE

	1990	1995	1999 <sup>a</sup>	Percent Reduction 1990-1999
<b>Strategic Forces</b>				
Land-based ICBMs	1,000	550	500	50
Strategic bombers	244	107	154	37
Sea-launched ballistic missiles	584	360	336	42
<b>Land Forces</b>				
Army active divisions	18	12	10	44
Army reserve component divisions	10	8	8	20
Marine Corps divisions	4	4	4	0
<b>Naval Forces</b>				
Battle force ships	546	373	346	37
Aircraft carriers				
Active	15	11	11	27
Reserve	1	1	1	0
Navy carrier wings				
Active	13	10	10	23
Reserve	2	1	1	50
<b>Air Forces</b>				
Tactical fighter wings				
Active	24	13	13	46
Reserve	12	7	7	42
Airlift aircraft				
Intertheater	400	371	327	18
Intratheater	460	388	394	14

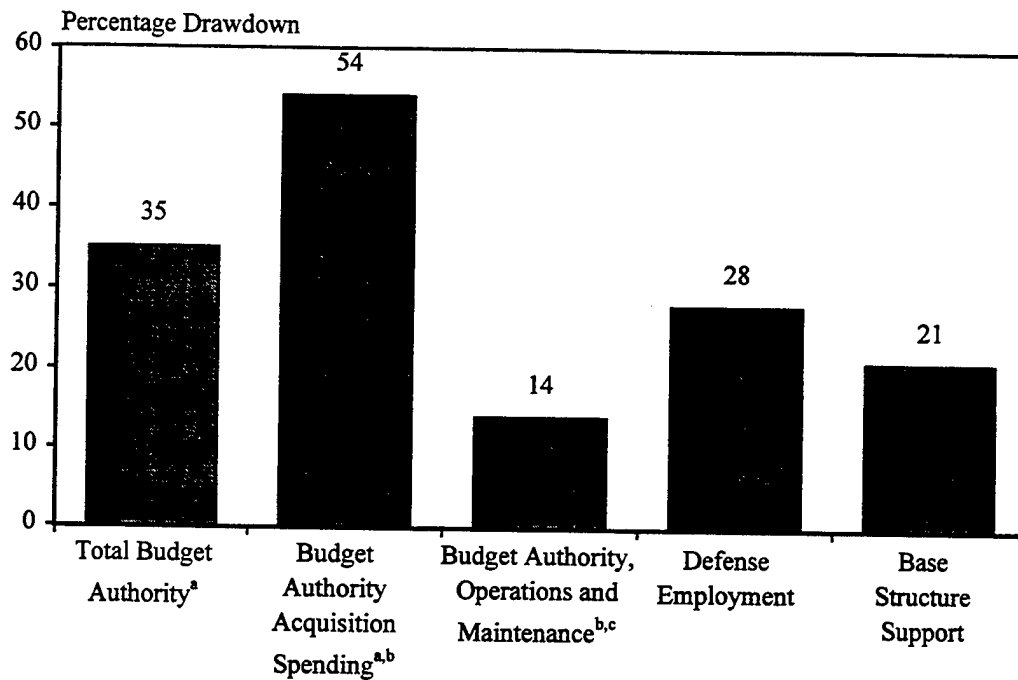
SOURCE: Congressional Budget Office, using data from the Department of Defense. Data for 1990 and 1995 are from the Office of the Secretary of Defense, *Annual Report to the President and the Congress* (January 1994). Data for the Bottom-Up Review are from the Fiscal Year 1996 Department of Defense Budget Briefing of the Under Secretary of Defense (February 6, 1995).

NOTE: ICBMs = intercontinental ballistic missiles.

a. Bottom-Up Review Plan, including estimates based on the Nuclear Posture Review and the Air Mobility Master Plan.



FIGURE 3. BASE REALIGNMENTS AND CLOSURES AND THE DRAWDOWN: HOW MUCH IS ENOUGH?



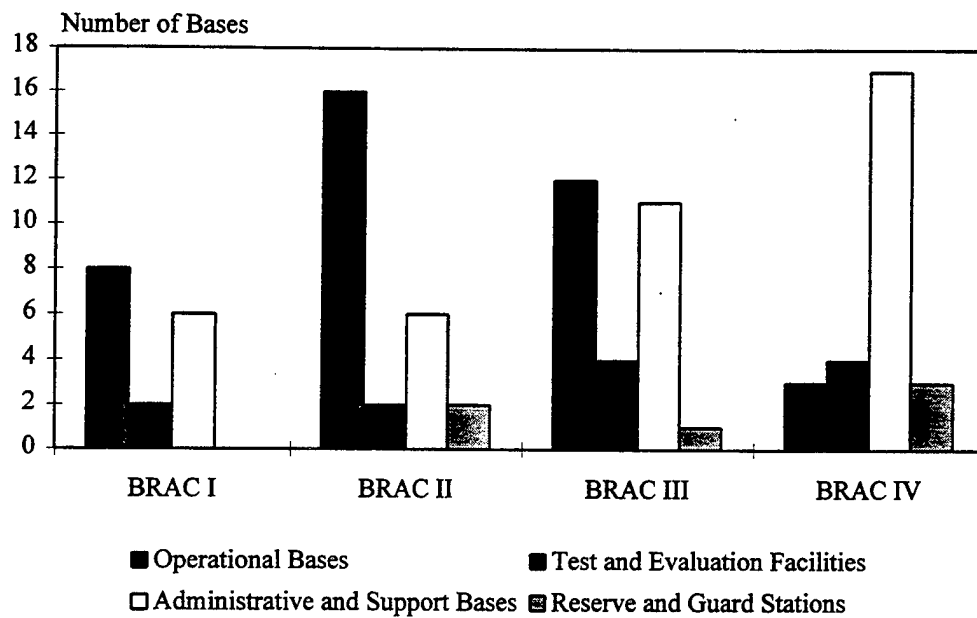
SOURCE: Congressional Budget Office, based on data from national defense budget estimate for fiscal year 1996.

a. Total reduction in budget authority, 1985-1995.

b. Acquisition spending includes procurement, research and development, and Operations and Maintenance purchases.

c. Reduction in budget authority for Operations and Maintenance, 1989-1995.

FIGURE 4. SUMMARY OF MAJOR BASE CLOSURES BY TYPE



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SOURCE: Congressional Budget Office, based on Department of Defense data.

NOTE: BRAC = Base Realignment and Closure.

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As a result of BRAC decisions, the Department of Defense will also close and consolidate a significant number of installations that serve primarily as administrative and personnel support. When all BRAC actions have been taken, for example, DoD will have closed 31 of 126 military hospitals, the Defense Logistics Agency will have closed nine of 27 regional distribution depots, and the Defense Contract Management Command will have reduced the number of major district contract management facilities from 10 to two.

The services are also closing a significant number of equipment repair and supply depots. Decisions were made in BRAC IV to close two major air logistical centers at McClellan Air Force Base in Sacramento and Kelly Air Force Base in San Antonio. The Navy will close three of its aviation depots, four naval shipyards, and one ship repair facility as a result of BRAC actions, and the Army will close 11 ammunition and equipment repair depot facilities.

The Department of Defense has also closed many administrative and support facilities in addition to those directed by BRAC. For example, in May 1994 the Secretary of Defense approved plans to cut back the number of Defense Finance and Accounting Service (DFAS) offices from 334 to 25. Fifteen of the remaining DFAS offices are located on military bases that the BRAC recommended be closed. Although their retention will reduce the BRAC savings initially projected by the Department of Defense, DoD estimates that the reorganization of DFAS will save between \$8 billion and \$9 billion (in present value terms) over the next 20 years. The DoD also cut the number of local defense contract administration offices from 144 in 1990 to 90 in 1995.

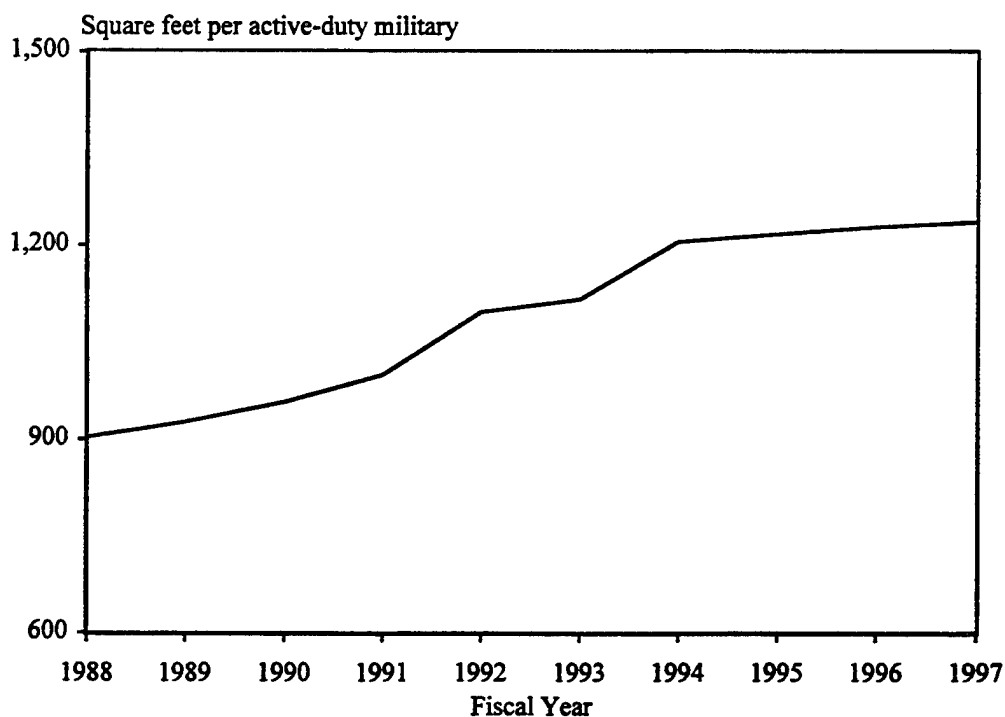
### COULD ADDITIONAL DEFENSE FACILITIES BE CLOSED?

Despite the significant cutbacks in the base support structure that are already under way, additional reductions may be warranted. In February 1995, the Secretary of Defense recommended that legislative authority for the BRAC commission be extended to permit another round of base closures in three or four years. The Department of Defense Base Closure and Realignment Report of March 1995 stated that there are opportunities for further cutbacks and consolidations in the categories of depot maintenance facilities, defense laboratories, test and evaluation installations, medical facilities, and helicopter pilot training bases. The Department of Defense could further analyze future military requirements and potential costs and savings to determine if closures and consolidations are warranted in those functional areas.

Data about the relationship between the size of the infrastructure, the number of military personnel, and the cost of maintaining facilities suggest that in the future,

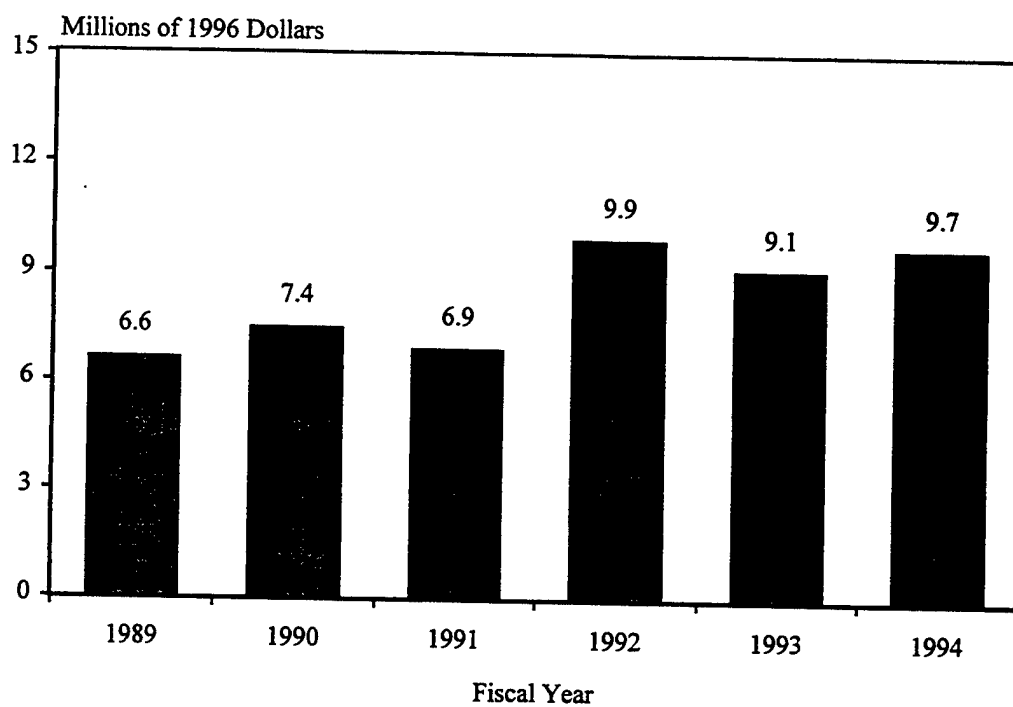
DoD may not be providing sufficient funds to cover the cost of maintaining its facilities. Between 1988 and 1997, the space per capita of defense facilities in the United States will increase from about 900 to about 1,200 square feet per person (see Figure 5). There is no apparent explanation for the need for additional space per capita. At the same time, the Department of Defense estimates that the cost of maintaining those facilities will decrease from about \$11 a square foot in 1988 to about \$8.50 a square foot in 1997. Given the increase in the backlog of maintenance and repair that has taken place since 1988, however, it appears unlikely that DoD will be able to preserve a constant standard of maintenance for its facilities at the lower costs that it projects (see Figure 6). If the costs of support remain at the 1988 level, rather than declining as the Department of Defense projects, DoD could be underfunding maintenance of its facilities by as much as \$3.9 billion in 1997. One alternative to making up for such a shortfall could be to reduce the size of the infrastructure beyond that which the BRAC decisions have already established.

FIGURE 5. IMPACT OF BASE STRUCTURE REDUCTIONS SINCE 1988



SOURCE: Data from the Department of Defense.

FIGURE 6. DEPARTMENT OF DEFENSE ESTIMATES OF BACKLOG OF  
MAINTENANCE AND REPAIR



SOURCE: Data from the Department of Defense.

## **CHAPTER IV**

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### **PUTTING BASE REALIGNMENT AND CLOSURE**

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#### **INTO PRACTICE: PROGRESS TO DATE**

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How well is the Department of Defense meeting its obligations to close and realign military bases? Many people are concerned that DoD's way of carrying out base realignment and closure decisions is intensifying the pain of closing bases in hundreds of communities. Some observers believe that DoD is taking too long to complete the process and that communities are thus suffering from lost income, commerce, and revenues. Others have concluded that BRAC decisions are being reversed, and that DoD is not really closing bases as the Commission recommended and the Congress accepted.

Despite those concerns, there are indications that DoD is meeting its fundamental obligations and that improvements in some areas are possible.

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#### **IS THE BRAC PROCESS ON SCHEDULE?**

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As of September 1995, the Department of Defense had successfully met the BRAC schedule for closing military bases. The law requires that all closures and realignments must be completed within six years from the date on which the President transmits his approval of the Commission's recommendations to the Congress. DoD considers a base "closed" when all missions of the base have ceased or been relocated and all personnel assigned to the facility have either been released from service or relocated. A "realignment" is completed when a designated portion of operational missions and personnel have been discontinued or relocated in accordance with BRAC decisions.

For the initial BRAC round, actions must have been completed by September 30, 1995. BRAC II must be completed by July 1997, BRAC III by July 1999, and BRAC IV by July 2001. DoD reports that it has closed all 16 of the bases required by BRAC I and projects that closures directed by subsequent BRACs will be completed by the required dates. As of March 1996, the Department of Defense has closed 24 of 26 major bases scheduled to be closed by BRAC II and eight of 28 major bases scheduled for closure by BRAC III (see Box 1).

**BOX 1.**  
**MAJOR BASE CLOSURES**

**1988 Commission - 16 Major Closures**

George AFB, Calif.	Jefferson Proving Ground, Ind.	Philadelphia Naval Hosp, Pa.
Mather AFB, Calif.	Lexington Army Depot, Ky.	Naval Station Galveston, Tex.
Norton AFB, Calif.	Naval Station Lake Charles, La.	Fort Douglas, Utah
Presidio of San Francisco, Calif.	Army Material Tech Lab, Mass.	Cameron Station, Va.
Chanute AFB, Ill.	Pease AFB, N.H.	
Fort Sheridan, Ill.	Naval Station Brooklyn, N.Y.	

**1991 Commission - 26 Major Closures**

Eaker AFB, Ark.	Tustin MCAS, Calif.	Naval Station Philadelphia, Pa.
Williams AFB, Ariz.	Lowry AFB, Colo.	Philadelphia Naval Shipyard, Pa.
Castle AFB, Calif.	Fort Ben Harrison, Ind.	Myrtle Beach AFB, S.C.
Fort Ord, Calif.	Grissom AFB, Ind.	Bergstrom AFB, Tex. (Active
Hunters Point Annex, Calif.	England AFB, La.	Component Only)
Moffett NAS, Calif.	Fort Devens, Mass.	Carswell AFB, Tex.
Naval Station Long Beach, Calif.	Loring AFB, Maine	Chase Field NAS, Tex.
NAV ELEC SYS ENG CTR,	Wurtsmith AFB, Miss.	Naval Station Puget Sound, Wash.
San Diego, Calif.	Richards-Gebaur ARS, Mo.	
Sacramento Army Depot, Calif.	Rickenbacker AGB, Ohio	

**1993 Commission - 28 Major Closures**

Naval Station Mobil, Ala.	Homestead Air Force Base, Fla.	Plattsburgh Air Force Base, N.Y.
Mare Island Naval Shipyard, Calif.	Naval Training Center Orlando, Fla.	Gentile Air Force Station, Ohio
MCAS El Toro, Calif.	Naval Air Station Agana, Guam	(DESC)
Naval Air Station Alameda, Calif.	Naval Air Station Barbers Point, Hawaii	Newark Air Force Base, Ohio
Naval Aviation Depot Alameda, Calif.	Naval Air Station, Glenview, Ill.	Defense Personnel Support
Naval Hospital Oakland, Calif.	O'Hare IAP ARS, Ill.	Center, Pa.
Naval Station Treasure Island,	NESEC, St. Inigoes, Md.	Charleston Naval Shipyard, S.C.
Calif.	K.I. Sawyer Air Force Base, Miss.	Naval Station Charleston, S.C.
Naval Training Center,	Naval Station Staten Island, N.Y.	Naval Air Station, Dallas, Tex.
San Diego, Calif.		Naval Aviation Depot Norfolk, Va.
Naval Air Station Cecil Field, Fla.		Vint Hill Farms, Va.
Naval Aviation Depot,		
Pensacola, Fla.		

**1995 Commission - 27 Major Closures**

Naval Air Facility, Adak, Alaska	Savanna Army Depot Activity, Ill.	Seneca Army Depot, N.Y.
Fort McClellan, Ala.	Naval Air Warfare Center, Aircraft	Fort Indiantown Gap, Pa.
Fort Chaffee, Ark.	Division, Indianapolis, Ind.	NAWC, Aircraft Division
Fleet Industrial Supply Center,	NAWC, Crane Division	Warminster, Pa.
Oakland, Calif.	Detachment, Louisville, Ky.	Defense Distribution Depot
Naval Shipyard, Long Beach, Calif.	Naval Air Station, South	Memphis, Tenn.
McClellan AFB, Calif.	Weymouth, Mass.	Bergstrom Air Reserve Base, Tex.
Oakland Army Base, Calif.	Fort Holabird, Md.	Reese Air Force Base, Tex.
Ontario IAP Air Guard Station,	Fort Ritchie, Md.	Defense Distribution Depot
Calif.	NSWC, Dahlgren Division	Ogden, Utah
Fitzsimons Army Medical	Detachment, White Oak, Md.	Fort Pickett, Va.
Center, Colo.	Bayonne Military Ocean Terminal, N.J.	
Ship Repair Facility, Guam	Roslyn Air Guard Station, N.Y.	

### IS DOD CARRYING OUT BRAC EFFECTIVELY?

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Because the Department of Defense had not closed many military installations during the period between the conclusion of the Vietnam War and the end of the Cold War, it encountered many obstacles to base closings at the outset of the BRAC process. Although DoD successfully closed all of the installations scheduled by BRAC I on time, there were initial difficulties related to questions of environmental cleanup, transfer and sale of excess property, and relations with communities regarding reuse planning.

Succeeding rounds of BRAC indicate that the Department of Defense now hopes it can proceed more quickly than it did in BRAC I. By the fourth year of putting BRAC I into effect, for example, DoD had closed only 22 percent of the bases scheduled for closures. According to current schedules, by the fourth year of implementation, BRAC II had closed about 73 percent of its slated bases and BRAC III will close almost 50 percent of the total number of bases due to be closed (see Figure 7).

Closing bases more quickly and efficiently can facilitate their reuse and help communities recover quickly from the economic effects of the change. Planning for the reuse of former military bases is a key element in the success of the closure process. The more rapidly plans are made for reusing facilities and property, the sooner those assets can be put to use. Indeed, reuse plans are required before the transfer of property to nonfederal jurisdictions can take place.

Planning for reuse, however, can be a time-consuming process. The Defense Base Closure and Realignment Act of 1990 (as amended), for example, requires the Secretary of Defense to consult with local authorities about their plans before transferring former military property. The law also states that the Secretary of Defense and the Secretary of Housing and Urban Development must review and approve the reuse plan of a local redevelopment authority before transferring property to assist the homeless. In addition, DoD guidelines require that redevelopment authorities must complete a reuse plan before the Department of Defense can transfer property for economic redevelopment and job creation.<sup>1</sup>

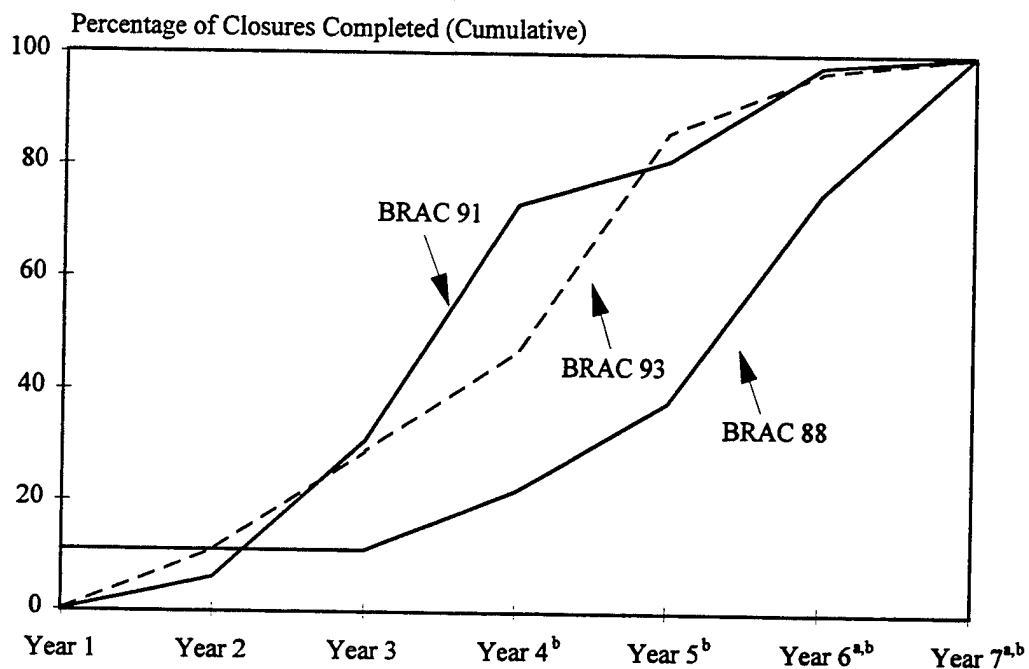
Comprehensive planning for reuse, however, involves a diverse group of community interests as well as representatives of various local and federal jurisdictions. Agreement among those parties can be difficult and time consuming. According to Department of Defense figures, the average time taken to complete reuse plans for BRAC I bases has been about two and one-half years. DoD estimates

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1. Department of Defense, *Base Reuse Implementation Manual* (July 1995), p. 7-4.



FIGURE 7. COMPARISON OF THE TIMING OF BASE CLOSINGS FOR BASE  
REALIGNMENTS AND CLOSURES (BRACs) 1988, 1991, AND 1993



SOURCE: Data from the Department of Defense.

a. BRAC 91 data for this year is expected, not actual.

b. BRAC 93 data for this year is expected, not actual.

that reuse plans for BRAC III bases are being completed in an average of about one year—more than twice as fast as for BRAC I. Although communities and local jurisdictions are taking less time than previously to complete the planning process, reuse plans can be amended. They can also extend the time taken to transfer property and delay new economic activity. Renegotiations among participating planners can be time consuming. How much reuse plans are being changed, however, is unknown. Future analysis could measure the incidence of such delays by comparing the difference between the planned and actual amount of time it takes to transfer and reuse property (see discussion below on reusing former military bases).

Changes in BRAC decisions also serve as a measure of success. Frequent changes in previous decisions could cause additional costs and delays in closing and realigning bases. Since the later commissions recommended relatively few changes in earlier BRAC decisions, DoD's execution of base closures and realignments has gone relatively smoothly. The commission for BRAC III, for example, recommended that only about 7 percent of BRAC actions directed by BRAC I and BRAC II be revised. The commission's recommendations for BRAC IV would revise only about 6 percent of the total actions directed by the first three rounds of realignment and closure.

Changes in previous decisions obviously could directly affect many communities and thousands of people. Although the Commission has made relatively few revisions of earlier decisions, the impact of such changes on potential costs and savings is significant. According to DoD estimates, revised BRAC actions will generate almost \$2 billion of additional net savings—about 3 percent of the total net savings for all BRACs projected for the six-year period of implementation. The Department of Defense will gain those net savings, however, at the expense of additional upfront costs. For example, DoD estimates that the changes in previous BRAC decisions resulting from BRAC III will cost the Department almost \$1 billion—about 15 percent of total one-time costs of carrying out actions directed by BRAC I and BRAC II. BRAC IV revisions will cost about \$700 million—about 5 percent of the total one-time costs of carrying out BRACs I through III.

In addition to the revisions of earlier BRAC decisions by the Commission, there have been other changes affecting previous BRAC actions. In May 1994, DoD announced a plan to consolidate more than 300 small Defense Finance and Accounting Service (DFAS) offices at various military bases and installations into five large existing finance centers and 20 new sites called operating locations. Fifteen of these DFAS facilities will be located on bases that had been scheduled for closure by BRAC.

Although DoD's decision to locate DFAS facilities on bases scheduled to be closed appears to alter BRAC decisions, it is consistent with federal policy governing reuse of federal property and permissible under BRAC guidelines. The Defense Base Closure and Realignment Act of 1990 (as amended) permits the Secretary of Defense to transfer property or facilities located on closing bases to other components, such as the Defense Finance and Accounting Service, within the Department of Defense.<sup>2</sup>

CBO has been unable to determine the extent to which relocations of DFAS activities will affect the Department of Defense's estimates of BRAC savings. Because the relocation of DFAS offices will affect more than 10 percent of the bases that are scheduled to be closed, it is possible that BRAC savings projected for base operations and support could be reduced significantly. Because relocating DFAS offices will only incur operating costs for portions of bases being closed (since they do not require the entire base in order to function), the potential impact on savings may not be extensive. The Congress may wish to know how those actions have affected the Department of Defense's estimates of BRAC savings. DoD could examine that question and revise its savings estimates for BRAC accordingly.

Although the decision to relocate DFAS offices may reduce BRAC savings, the Department of Defense estimates that consolidating DFAS facilities will otherwise yield significant savings. DoD estimates that the consolidation plan will produce between \$8 billion and \$9 billion (present value) in savings over the next 20 years.<sup>3</sup> Based on its analysis of DoD data, the General Accounting Office has estimated that savings could be as much as \$2.8 billion less, however, and has recommended that the Department of Defense reconsider its plans. DoD has agreed to do so and could choose to change the number and location of DFAS offices. Changes in the existing consolidation scheme could introduce additional changes in BRAC actions that are already affected by the relocation of DFAS offices, further reduce BRAC savings, and contribute to local economic instability among communities that are affected.

#### HOW WILL FORMER MILITARY BASES BE USED?

Immediate reuse of former military bases is essential in minimizing losses to the local economy. Many laws and regulations govern the disposal of former military bases to facilitate the best use of surplus property and assist communities in their

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2. Defense Base Closure and Realignment Act of 1990 (as amended), P.L. 101-510, 10 U.S. Code 2687.

3. Measured over 20 years discounted at 6.4 percent.

economic recovery.<sup>4</sup> The Department of Defense may dispose of excess property by transferring it to other components within DoD, to other federal agencies, to local jurisdictions including local redevelopment authorities, and to private purchasers. Components within DoD and other federal agencies have first priority in claiming excess departmental property. The Department may then transfer remaining property to local jurisdictions or redevelopment authorities. Private purchasers may bid on any remaining property not claimed by federal or local authorities. In order to facilitate the disposal process and be responsive to all potential users, however, DoD coordinates its decisions on reusing property with state and local authorities.

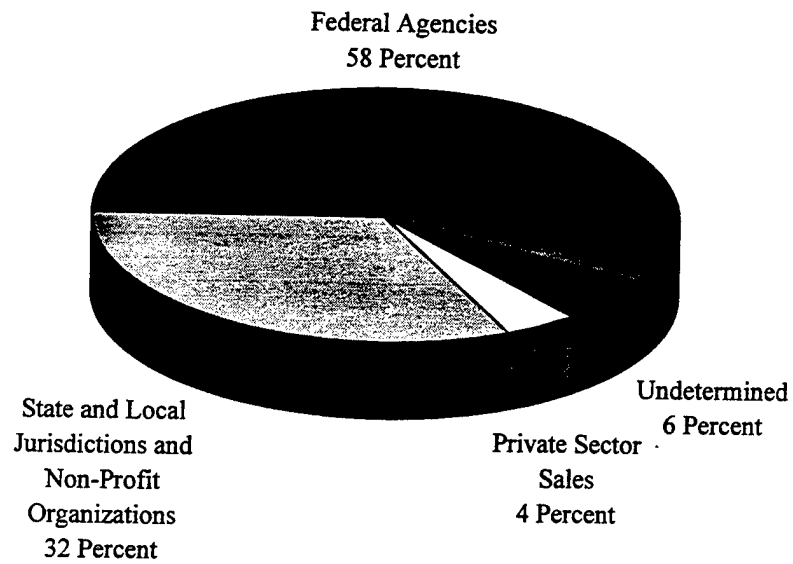
DoD may transfer excess property within the Department from one component to another to meet military needs, or to other federal agencies to meet their property requirements. The Department of Defense may convey former military property to federal agencies or local authorities for such public uses as airports, educational and health facilities, historic monuments, ports, parks and recreational areas, and wildlife preserves. The Base Closure Community Redevelopment and Homeless Assistance Act of 1994 requires DoD to consider the needs of the homeless in disposing surplus property. The Defense Base Closure and Realignment Act of 1990 gives the department the authority to transfer property to redevelopment authorities to improve economic recovery and create jobs. Other types of transfers may also take place, including returning military property to state or local governments in accordance with previous agreements and returning to the Bureau of Land Management public domain lands that had been transferred to a military department for military use.

If data for BRAC I and BRAC II bases are characteristic of all BRAC reuse plans, the federal government will retain most of the property on former military installations (see Figure 8). Data for reuse plans for 37 installations being closed by BRAC I and BRAC II indicate that the federal government will keep about 110,000 out of about 190,000 acres—almost 58 percent of the total property available for transfer. Approximately half of this real estate, about 55,000 acres, is contaminated with unexploded ordnance and is being retained by the federal government because of the risk to public health and safety and the high cost of environmental cleanup. The Department of Defense will transfer much of the contaminated property to the Department of Interior's Fish and Wildlife Service to be used as preserves for wildlife. DoD will keep about 25,000 acres—about 13 percent of the total surplus property—for such alternative military uses as offices for the Defense Finance and

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4. These include the Federal Property and Administrative Services Act of 1949, 40 U.S.C. 471; the Surplus Property Act of 1944, 49 U.S.C. 47151-47153; Act of May 19, 1948, 16 U.S.C. 667b; the Defense Base Closure and Realignment Act of 1990, the Base Closure Community Assistance Act of 1993, and the Base Closure Community Redevelopment and Homeless Assistance Act of 1994.

FIGURE 8. PLANNED PROPERTY DISPOSAL FOR MAJOR BASES IN BRAC I AND BRAC II (Total area equals 190,000 acres).



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SOURCE: Data from the Department of Defense.

NOTE: BRAC = Base Realignment and Closure.

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Accounting Service and facilities for reserve and national guard forces. DoD plans to sell about 7,000 acres to the public. Other federal agencies will receive about 5,500 acres—about 3 percent of the surplus property—for such public uses as prisons and Job Corps training sites (see Figure 9).

Communities will use approximately 37,000 acres—about 20 percent of the total property available for transfer—for various public benefits (see Figure 10). Most of that real estate, about 26,000 acres, will be used to convert former military air bases to commercial use. Local authorities will use about 7,900 acres for parks and recreational areas and about 3,000 acres for other public benefit purposes including educational facilities, homeless assistance, and state prisons. In addition, the communities plan to use about 23,600 acres—about 12 percent of the total surplus property—for economic development and new employment.

#### WHAT HAVE DOD AND THE CONGRESS DONE TO CARRY OUT BRAC MORE EFFECTIVELY?

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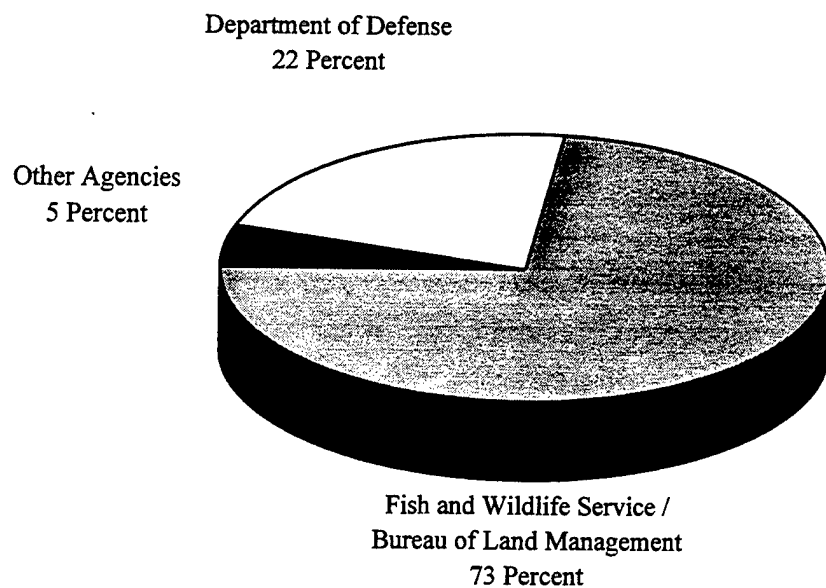
The Department of Defense and the Congress have improved the BRAC process in a variety of important ways since 1988. New legislation and management procedures have facilitated the transfer of DoD's surplus property. Other legislative changes and interpretations have reduced the immediate burden of environmental cleanup that at first threatened to obstruct the transfer and reuse of former military property. New guidelines and budgetary support for military authorities and communities have expedited planning for reuse. In addition, DoD has carried out a number of management reforms to lend support in meeting BRAC objectives.

Laws Establish Schedule To Limit Implementation Time. The process governing disposition of surplus property involves many functions and participants, and unless it is carefully managed, could be a slow one. In order to make sure that the transfer process proceeds in a timely fashion, the Congress has enacted laws that establish deadlines for its many facets (see Table 2).

An analysis of the Department of Defense's ability to meet those legislative deadlines could be useful to the Congress and DoD in determining whether it is possible to accelerate the process of closing bases by adjusting the review process.

Leases and Parcels Accelerate Reuse of Property. Many believed at the outset of the BRAC process in 1988 that environmental problems would delay closing bases and interfere with the timely reuse of former military property. For example, the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) of 1980 (as amended) requires that "all remedial action necessary to

FIGURE 9. PLANNED PROPERTY DISPOSAL TO FEDERAL AGENCIES FOR MAJOR BASES IN BRAC I AND BRAC II (Total area equals 110,000 acres).



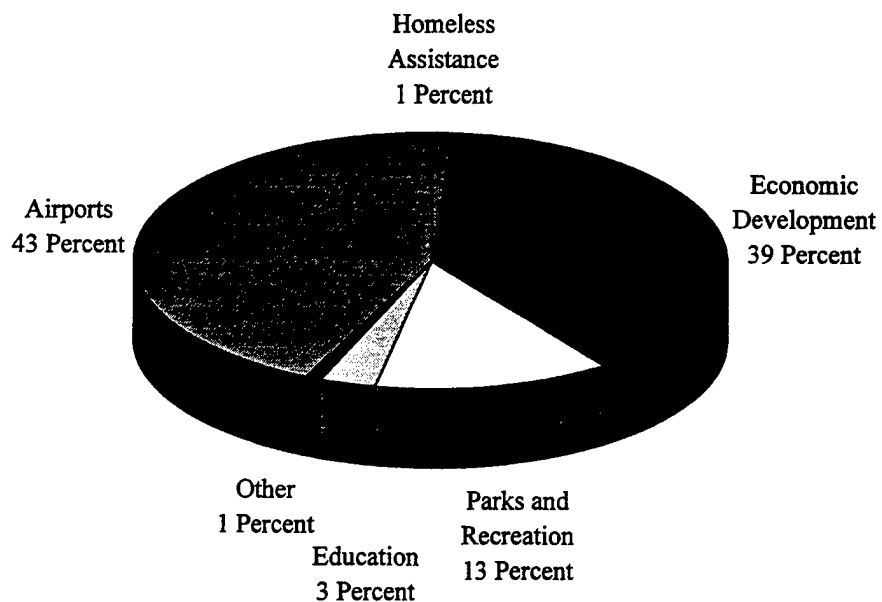
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SOURCE: Data from the Department of Defense.

NOTE: BRAC = Base Realignment and Closure.

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FIGURE 10. PLANNED PUBLIC BENEFIT AND ECONOMIC DEVELOPMENT TRANSFERS TO STATE AND LOCAL AUTHORITIES FOR SELECTED MAJOR BASES IN BRAC I AND BRAC II (Total area equals 61,000 acres).



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SOURCE: Data from the Department of Defense.

NOTE: BRAC = Base Realignment and Closure.

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TABLE 2. SELECTED STATUTORY DEADLINES FOR TRANSFERRING SURPLUS BRAC PROPERTY

Function	Activity	Deadline
Closing the base	Initiate closure approval for closure.	Two years after Presidential
	Complete closure approval for closure.	Six years after Presidential
Community Assistance	Designate transition coordinator.	Fifteen days after Congressional approval for closure.
	Consider applications for assistance from the Office of Economic Adjustment. 30 days after submittal.	Planning Grants: seven days after submittal. Community Adjustment Grants:
	Obtain regulatory concurrence on designation of uncontaminated parcels. (2) Eighteen months after Con-	Earlier of: (1) Nine months after submittal of proposed reuse. Congressional approval for closure.
Property Inventory Screening and Transfer	Inventory personal property. approval for closure.	Six months after Congressional
	Make decisions about excess and surplus property.	Six months after Congressional approval for closure.
	Screen property for transfer to federal agencies.	Six months after Congressional approval for closure.
Requirements	Local redevelopment authority submits redevelopment plan to DoD and HUD (if homeless use included).	Nine months after deadline for submission of notice of interest.
	HUD reviews redevelopment plan and makes determination.	Sixty days after receipt of redevelopment plan.
	LRA revises redevelopment plan, if necessary.	Ninety days after HUD determination.
	HUD reviews revised plan, if necessary.	Thirty days after receipt of revised plan.
	HUD makes recommendations to DoD on transfers to assist homeless.	Ninety days after receipt of initial redevelopment plan.

(Continued)

TABLE 2. CONTINUED

Function	Activity	Deadline
Environmental Impact Analysis and Cleanup	Complete environmental impact statement.	Twelve months after submission of redevelopment plan:
	Complete remedial investigation/feasibility studies.	<ul style="list-style-type: none"> <li>* Commence RI/FS within six months of listing on National Priorities List.</li> <li>* Conclude interagency cleanup plan within 180 days after EPA review of RI/FS.</li> <li>* Begin cleanup within 15 months of completion of RI/FS.</li> </ul>

SOURCE: Department of Defense, Base Reuse Implementation Manual, July 1995, pp. A-16 and A-17.

NOTES: LRA = Local redevelopment authority.  
 DoD = Department of Defense.  
 HUD = Department of Housing and Urban Development.  
 RI/FS = Remedial investigation/Feasibility study.  
 EPA = Environmental Protection Agency.

protect human health and the environment" must be taken before the federal government can transfer property to nonfederal entities.<sup>5</sup> Many believed that long delays were inevitable because the law required DoD to clean up the environment before it could transfer property to a new owner, a task that in some cases might take decades to complete. Although CERCLA does contain that requirement, the Defense Environmental Task Force—chartered by the Congress to find ways to expedite environmental actions affecting base closures—concluded that DoD could lease contaminated property without completing the cleanup measures required by CERCLA. Under leasing arrangements, the Department of Defense does not transfer ownership. The Base Closure Community Assistance Act of November 1993 authorized the secretaries of the military services to lease property to any individual or entity if the Secretary determined that a lease would contribute to local economic recovery efforts.<sup>6</sup>

The Department of Defense has applied leases widely as a way of supporting economic recovery for communities. As of June 1996, DoD signed 552 leases for former military property. In order to accelerate reuse of property, DoD delegated authority to base commanders to approve leases. In addition, DoD allowed tenants in some cases to lease property in exchange for maintaining it. By forgoing lease payments, however, the Department of Defense fails to receive revenues that could be helpful in offsetting the costs of carrying out BRAC. Many leases are short-term arrangements extending for up to five years; some, however, extend for 50 years or more. Environmental advocates are concerned that such long-term lease arrangements could be a way for DoD to avoid meeting its obligations to clean up contaminated sites. That view could lead to litigation that could delay reuse of former military property until the courts resolve the issue.

The Defense Environmental Task Force also concluded that DoD could transfer parcels of uncontaminated land or facilities, but that such areas must be clearly defined. In October 1992, the Congress enacted the Community Environmental Response Facilitation Act, requiring DoD to identify and document all uncontaminated property or parcels of land on bases being closed. In June 1994, the Department of Defense issued guidelines to the military services on the environmental review process needed to certify that a parcel of land was uncontaminated and suitable for transfer. As of September 1995, DoD had identified about 164,000 acres of land that were uncontaminated. About 76,000 of those acres were available for immediate transfer because regulating agencies had concurred in

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5. Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (as amended), 42 U.S.C. 9601.

6. Base Closure Community Assistance Act of November, 1993, Subtitle A of Title XXIX of P.L. 103-160.

DoD's designation. The Department of Defense cannot say how many of those acres have been transferred to date, but DoD officials have noted that demand is limited for much of this clean property, because in many cases the property has limited potential for economic reuse.

Transfer of Property for Economic Development Aids Local Economic Recovery. Many bases are located in smaller communities that are highly dependent on the local military presence for their economic well-being. When such bases are closed, economic recovery poses a significant problem for their communities. The Congress enacted the Base Closure Community Assistance Act in November 1993 to aid those communities by authorizing DoD to transfer property free of charge or for less than fair market value for economic development and job creation. Procedures for "Economic Development Conveyances" are contained in the Code of Federal Regulations, 32 CFR Part 91. As of August 1996, DoD planned to transfer almost 43,000 acres on bases closed by the first three rounds—18 percent of the total acreage to be transferred—for local economic development.

Management Initiatives and Budget Support Improve Reuse Planning and Implementation

The Department of Defense has improved planning for the reuse of former military bases by applying new management techniques and providing additional funding for the support of communities. DoD has taken steps to improve coordination between military authorities and local communities by promoting better communications during the planning process. For example, DoD has designated a senior government official at each closing base to serve as a "transition coordinator" whose tasks include working with the community to identify its needs. The transition coordinators also work with other federal agencies to assist in the screening process and to coordinate the needs of government agencies with those of the local communities in drawing up comprehensive reuse plans.

The Department of Defense has also established a cleanup team for each closing base composed of representatives from DoD, the Environmental Protection Agency, and state environmental organizations. The cleanup teams review environmental problems on a base and create plans for correcting them, taking into account community priorities for reuse of the property. The transition coordinator works closely with base cleanup teams to make sure that information flows effectively between the military and the community, and that cleanup plans provide priority treatment for property that has a high potential for redevelopment. The

Department of Defense has also established restoration advisory boards at closing bases to keep community representatives involved in the cleanup process.

DoD has also increased funding to support communities in planning the reuse of former base property. DoD's Office of Economic Adjustment has provided support to communities to evaluate alternatives for reuse, develop marketing strategies, and prepare management plans. Grants to communities affected by base closures in BRAC I and BRAC II, for instance, increased from an average of about \$85,000 in 1991 to about \$600,000 in 1996. DoD plans to spend about \$30 million annually on planning grants between 1997 and 2000.

## **CHAPTER V**

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### **MAJOR CONCERNS IN CARRYING OUT BRAC:**

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#### **ITS EFFECT ON PEOPLE, COMMUNITIES, AND THE ENVIRONMENT**

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The end of the Cold War enabled the United States to cut back the large military structure it had built up during the decades following World War II. The cost of peace, however, has not been small. As the Department of Defense (DoD) has reduced the size of its forces and cut military spending, thousands of military and civilian personnel have lost jobs, many companies have closed or cut back their business, and communities across the nation have felt the impact. The BRAC process has played a major part in the drawdown of military forces and has had an impact on many workers and communities. But the impact of BRAC, though widespread, has been sufficiently diffuse to ameliorate the effects of the downsizing and relatively few communities or regions have been affected severely.

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#### **THE IMPACT OF CLOSING BASES: WHO IS HIT AND HOW HARD?**

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When it is viewed in the context of the nation's economy, according to DoD's projections, BRAC will have a negligible impact on the workforce. When it closes a base, the Department of Defense eliminates jobs both directly and indirectly. The Department estimates that BRAC will result in the loss of approximately 236,000 jobs—including about 120,000 jobs in local economies that are indirectly related to the realignment and closing of bases. Employment cutbacks resulting from BRAC actions are small when compared with the size of today's labor force. Anticipated job losses (which are projected to occur over a period of 12 years) constitute about two-tenths of 1 percent of the nation's total employment level as of August 1996. In addition, the projections represent a worst-case scenario because they do not take into account the potential economic activity that could provide new employment opportunities for those workers affected by base closures and cutbacks.

BRAC actions will take place in virtually every state, but will have the greatest impact on states that have a larger military presence. Much public attention focuses on the effect of closing major bases. Those closures will occur most frequently in defense-oriented states such as California, Texas, Pennsylvania, New York, and Virginia. Many states will experience only one or two major base closures and in a number of states there will be none (see Table 3).

Most states—29 plus the District of Columbia and Guam—will end up losing jobs as a result of BRAC closures and realignments. Among the states in which DoD projects would eliminate the most jobs are California, Florida, Pennsylvania, New

TABLE 3. TOTAL NUMBER OF MAJOR BASE CLOSURES FROM BRAC I THROUGH BRAC IV BY STATE AND U.S. TERRITORY

State	Number of Major Bases Closed	State	Number of Major Bases Closed
Alabama	2	Missouri	1
Alaska	1	Montana	0
Arizona	1	Nebraska	0
Arkansas	2	Nevada	0
California	22	New Hampshire	1
Colorado	2	New Jersey	1
Connecticut	0	New Mexico	0
Delaware	0	New York	5
District of Columbia	0	North Carolina	0
Florida	4	North Dakota	0
Georgia	0	Ohio	3
Guam	2	Oklahoma	0
Hawaii	1	Oregon	0
Idaho	0	Pennsylvania	6
Illinois	5	Rhode Island	0
Indiana	4	South Carolina	3
Iowa	0	South Dakota	0
Kansas	0	Tennessee	1
Kentucky	2	Texas	8
Louisiana	2	Utah	2
Maine	1	Vermont	0
Maryland	3	Virginia	4
Massachusetts	3	Washington	1
Michigan	3	West Virginia	0
Minnesota	0	Wisconsin	0
Mississippi	0	Wyoming	0

SOURCE: Data from the Base Realignment and Closure Commission.

NOTE: BRAC = Base Realignment and Closure.

York, and Texas—all of which have a large military presence. Other states that have a significant military presence, such as Alabama, Indiana, Louisiana, and South Carolina, will also lose thousands of jobs (see Table 4). Employment projections do not take into account offsetting economic activity that could provide new job opportunities for those who would lose jobs as a result of BRAC.

On the positive side, DoD projects that 19 states will experience a net gain in employment as a result of BRAC actions. Washington, Maryland, and Utah will get thousands of new jobs because realignments will create more positions in those states than base closings will eliminate. Employment levels in a number of states—Wisconsin, Iowa, Vermont, Wyoming, Delaware, West Virginia, and Minnesota—will remain virtually unaffected by BRAC actions.

Although BRAC actions will probably affect hundreds of thousands of jobs nationwide, their impact on employment in states, though painful to some people, will probably be small. According to projections by the bipartisan Commission on BRAC, no state would see a drop in employment of more than 1 percentage point as a result of BRAC actions. The Commission projects that unemployment in Guam, a U.S. Trust Territory, could increase by about 8 percent as a result of BRAC actions. The states that could lose the most jobs as a proportion of total state employment include South Carolina, Louisiana, California, and Maine (see Table 5). Those states that could gain new employment, however, would not benefit greatly. The Commission anticipates that only Utah could experience a gain in employment of more than 1 percentage point. Other states standing to gain the most jobs in proportion to their total employment include Rhode Island, Washington, Maryland, and Oklahoma.

Cutbacks in jobs will affect employment figures more in local communities than in states. Nevertheless, according to DoD projections, they are likely to have a small impact on most local areas. The Department of Defense estimates that unemployment in 34 communities affected by base closings under BRAC III could increase by an average of about 5.8 percentage points—considerably higher than projections of increases at the state level. Projections for those communities, however, represent a worst-case scenario because they do not consider potential economic activity that could offset job losses.

BRAC activity is not likely to cause major increases in unemployment in such heavily populated urban areas as Chicago, Dallas, Honolulu, Miami, and New York (see Table 6). First, job losses from base closures and realignments in major metropolitan areas constitute a much smaller portion of local employment than they do in smaller communities. In addition, large cities that have more diverse local economies are better able to accommodate change. In 1992, for example, CBO



TABLE 4. TOP 10 STATES GAINING AND LOSING JOBS AS A RESULT OF BRAC ACTIONS

State	Net Job Increases	State	Net Job Decreases
Washington	22,546	California	122,919
Maryland	19,814	Pennsylvania	35,319
Utah	10,984	South Carolina	18,394
Illinois	8,674	Louisiana	16,883
Oklahoma	8,348	Indiana	16,463
Rhode Island	4,710	New York	13,368
North Carolina	3,792	Texas	12,739
New Jersey	3,519	Florida	11,189
Arizona	2,745	Tennessee	9,156
Nevada	2,500	Alabama	8,242

SOURCE: The Base Realignment and Closure Commission.

NOTE: BRAC = Base Realignment and Closure.

TABLE 5. IMPACT OF BRACs ON GAINING AND LOSING JOBS IN TOP 10 STATES AS A PERCENTAGE OF STATE EMPLOYMENT

State	Jobs Lost As a Percentage of State Employment	State	Jobs Gained As a Percentage of State Employment
South Carolina	-0.97	Utah	1.11
Louisiana	-0.82	Rhode Island	0.89
California	-0.75	Washington	0.77
Maine	-0.61	Maryland	0.74
Pennsylvania	-0.56	Oklahoma	0.49
Indiana	-0.53	Nevada	0.32
Alaska	-0.41	New Mexico	0.17
Alabama	-0.39	Arizona	0.14
Colorado	-0.35	Illinois	0.14
Tennessee	-0.32	North Carolina	0.10

SOURCE: Data from Base Realignment and Closure Commission.

TABLE 6. POTENTIAL INCREASE IN UNEMPLOYMENT RESULTING FROM BRAC III ACTIONS IN MAJOR METROPOLITAN AREAS

Metropolitan Area	Potential Increase In Unemployment (Percentage Points)
Norfolk, Virginia Beach	5.6
Oakland	4.9
Memphis	4.1
Orlando	2.5
Philadelphia	2.2
San Diego	1.4
San Francisco	1.2
Los Angeles, Long Beach	0.5
Washington, D.C.	0.5
Honolulu	0.3
Dallas	0.2
New York	0.2
Miami	0.1
Chicago	0.1

SOURCE: Department of Defense.

estimated that unemployment in St. Louis resulting from projected reductions in defense spending could have increased by as much as 3 percentage points between 1991 and 1995 without offsetting economic activity. As of July 1995, however, unemployment in St. Louis was almost 2 percentage points lower than in 1991.<sup>1</sup> Apparently the improvement in the general state of the economy during that period raised employment levels more than had been projected. Growth in other sectors of St. Louis's economy was able to provide jobs for workers laid off because of defense cutbacks.

By contrast, BRAC-related job losses in less-populated areas are likely to have a relatively greater impact on local unemployment (see Table 7). Employment at military bases in less-populated areas usually constitutes a larger proportion of local employment and is therefore likely to have a greater impact when those facilities close. In addition, local economies in less-populated areas tend to be less diverse and therefore less able to provide alternative employment for people who lose their jobs.

#### OTHER POTENTIAL EFFECTS ON LOCAL ECONOMIES

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Although the loss of jobs causes the most immediate concern among communities affected by BRAC actions, lost jobs can have a ripple effect on local economies. Lost jobs can lead to relocation of workers and their families and cause a drop in population that can have a widespread effect on the local economy. Fewer residents, for example, reduce the local tax base, resulting in lower revenues with which to finance public services. As a result, local services must be cut back and may not meet the needs of remaining residents. School enrollments may drop, causing school closures, the discontinuance of educational programs, and the elimination of faculty and support jobs. Population decline can also affect the housing market by reducing demand and lowering the value of real estate.

Although the Department of Defense has not collected comprehensive data measuring those effects on communities affected by BRAC actions, a recent review of those measures for selected communities in California suggests that BRAC might not be as auspicious as some have expected. In November 1995, RAND examined local economic data for communities affected by the closing of Castle Air Force Base, Fort Ord, and George Air Force Base.<sup>2</sup> The study selected those bases because

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1. Congressional Budget Office, *The Economic Effects of Reduced Defense Spending* (February 1992), pp. 39-42.
  2. Michael Dardia, Kevin McCarthy, Jesse Malkin, and Georges Vernez, *The Effects of Military Base Closures on Local Communities: A Short-Term Perspective* (Santa Monica, Calif.: RAND, 1996).

TABLE 7. POTENTIAL INCREASE IN UNEMPLOYMENT RESULTING FROM BRAC III ACTIONS IN SELECTED LESS-POPULATED LOCALES (In percentage points)

Metropolitan Area	Potential Increase In Unemployment
Tooele County, Utah	31.8
Monterey County, California	27.2
Anniston, Alabama	16.8
Marquette County, Michigan	16.0
Charleston, South Carolina	15.3
Fauquier County, Virginia	14.0
Vallejo-Fairfield, California	10.7
Clinton County, New York	10.5
Franklin County, Pennsylvania	6.5
Utica-Rome, New York	6.3

SOURCE: Department of Defense.

they were located near smaller, more remote communities and therefore more likely to have a greater negative impact on the surrounding areas than bases closing in larger metropolitan areas.

The RAND study found that, with the exception of the area immediately surrounding Fort Ord, the base closures did not appear to prevent the local population from growing. Rapid population growth in San Bernadino County, in which George Air Force Base was located, has continued unabated despite the closure of the base. Urban sprawl around the area of Los Angeles absorbed the effects of the base closing. The population of communities around Castle Air Force Base in central California has grown modestly.

Figures for other local economic and demographic measures, such as local revenues, retail sales, real estate values, and school enrollments, suggest that the impacts of BRAC actions have been modest in all but the most immediate areas. In addition to an expansion of the population in the region surrounding George Air Force Base, for example, the size of the labor force, school enrollment, retail sales, and housing units have also increased. Similar, though more modest growth, has occurred in each of those categories for communities surrounding Castle Air Force Base. Figures for the communities adjacent to Fort Ord, however, are negative. Population in that area has decreased, school enrollment and retail sales are down, and housing vacancies and unemployment have increased. But when those measures were applied to a larger impact area around Fort Ord, including nearby Salinas, the impact has been modest.

To determine the reliability of its conclusions, the RAND study also compared actual measures of impact with projections made by various prognosticators. The figures show that the most gloomy projections have proven inaccurate; actual measures were better than projections in almost every case. Unemployment was lower than projected in areas around Castle Air Force Base and Fort Ord. In February 1992, CBO projected that with no offsetting local economic activity, unemployment in the Monterey labor market area could increase by as much as 8 percentage points following the closure of Fort Ord. The Rand study reported an actual increase in local unemployment of only about 1 percentage point. School enrollment figures were also better than projections for those locales. In addition, figures for city revenues and retail sales were higher than those projected for communities surrounding Fort Ord.

At first, actual figures for categories such as unemployment and retail sales were better than those that were projected, because initial estimates did not attempt to measure offsetting economic activity. As those activities have taken place, a truer picture of the potential impact of closing bases has emerged. Experience in various

locales, for example, indicates that military retirees who previously shopped at stores on military bases turned to the local economy for their purchases. Job opportunities are created when military spouses who were employed in the community relocate. Public and private sector programs reusing base property can also create a significant number of new jobs and can have a multiplier effect on expanding employment in the local community.

The results of the RAND study suggest that researchers should take a closer look at the Department of Defense's projections about the local impact of base closings. Because Rand's findings are based on a limited sample of a few different types of communities in a limited geographic locale, they cannot be applied automatically to communities in other regions of the country. They do suggest, however, that impacts are likely to be more modest than initial estimates that do not attempt to consider offsetting economic activity. Close analysis of such local economic variables as off-base employment of military families, the size and spending patterns of local military retirees, and growth trends in population and economic sectors could provide a more accurate picture of what is likely to occur after a major military base in a local community is closed.

#### FEDERAL ASSISTANCE TO COMMUNITIES AND DISPLACED WORKERS

Although BRAC actions will have a major impact on only a few communities and relatively few workers, those affected could have a hard time recovering from economic setbacks. The Department of Defense and other federal agencies offer a wide range of programs to provide general assistance to communities and individuals experiencing economic dislocation, including those affected by base closings and realignments. Some programs are specifically aimed at assisting communities and workers affected by BRAC actions. Although the total cost of those programs is not currently available, recent data suggest that such costs are a relatively small part of the total cost of closing bases. As of August 1996, for example, the federal government awarded about \$559 million in assistance grants to communities and workers affected by the first three rounds of base closures.<sup>3</sup> DoD estimates that it will spend, by comparison, about \$13.1 billion to carry out the first three rounds of BRAC closures.

Four agencies are the principal sources of federal aid to affected communities and workers. The Federal Aviation Administration provided about \$182 million—more than 30 percent of the total thus far—for communities affected

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3. General Accounting Office, *Military Bases: Update on the Status of Bases Closed in 1988, 1991, and 1993* (August 1996), p. 40.

by the first three rounds of BRAC, to assist in converting military aviation facilities to commercial use. The Office of Economic Adjustment in DoD has awarded about \$120 million to assist those communities in planning the reuse of former military bases. The Economic Development Administration in the Department of Commerce has spent more than \$150 million to help them bear the cost of removing buildings, improving infrastructure, and assisting businesses with loans. The Department of Labor also allocated about \$103 million to help retrain workers.

Those transition expenses do not include the government's costs for the multitude of other programs administered by federal agencies that provide general assistance to citizens and communities. Former DoD employees, for example, are entitled to some or all of the following types of assistance: reemployment within DoD or other federal agencies, relocation assistance, voluntary and involuntary separation pay, life insurance, home loan guaranty, medical care, the GI bill, and teacher training and placement. In addition, unemployed former DoD workers are eligible for various entitlement assistance programs including unemployment insurance, education assistance including Pell Grants and student loans, Aid to Families with Dependent Children, Food Stamps, Medicaid, and others. The federal government also provides other forms of assistance to communities through loans awarded by the Small Business Administration, Community Development Block Grants, and Urban Development Action Grants.

This study does not address the effectiveness of the various assistance programs discussed above; rather, it simply describes their availability. The effectiveness of those programs, as costs increase and BRAC actions proceed, might be the object of further study. For example, how quickly have reuse plans been carried out for communities? How have economic indicators such as local income, real estate values, and revenues responded to development grants and loans? How many businesses have participated in federal assistance programs? How have employment levels changed? What proportion of workers participated in various assistance programs? What proportion have been reemployed? What sorts of wage and job differentials have reemployed workers experienced?

#### ENVIRONMENTAL ISSUES AT CLOSING BASES

From the outset of the BRAC process, the Commission has considered the potential environmental impact of closing a base to be one of a number of secondary criteria guiding the choice of its recommendations. The Commission examined a variety of important environmental questions for each military installation, namely the presence of threatened or endangered species, sensitive habitats and wetlands, cultural and historic resources, the use of land and air space, pollution control issues,



environmental cleanup implications, and environmental management costs. But those questions, though considered, were not a determining factor behind the Commission's recommendations. Nevertheless, many of those issues may play an important role in the timing of transfer and the use of former military property.

Cleaning up contaminated sites on closing bases is the most challenging environmental problem DoD must face. First, contamination is widespread and in many cases difficult to clean up to meet federal and local standards. Cleanup plans for 84 closing bases, for example, identified polluted groundwater on 51, contaminated landfills on 67, and unexploded ordnance on 25. Cleaning up polluted groundwater can be a particularly time-consuming task, extending in some cases for decades. Some people have argued that in certain cases, it is impossible to restore groundwater to meet clean water standards. Cleaning up landfills can also be a problem because cleanup standards for each site must be negotiated among DoD, the Environmental Protection Agency, and local regulatory authorities. If incinerating landfill waste is required, costs can be significant. Cleaning up DoD's extensive unexploded ordnance is similarly difficult. (According to reuse plans for major bases closed in the first two rounds of BRAC, more than 55,000 of 190,000 acres contain unexploded ordnance.)<sup>4</sup> There are no national standards governing the recovery and disposal of unexploded ordnance, and the cost of cleaning up such sites can be prohibitively expensive. Reuse plans currently envision transferring most of such property to the Fish and Wildlife Service for use as wildlife preserves, thereby avoiding significant cleanup costs.

The high cost of cleaning up contamination reflects the difficulty of the Department of Defense's task. DoD estimates that it will spend about \$6.6 billion to clean up bases scheduled to be closed in the four rounds of BRAC. That estimate understates the full cost of cleanup, however, because it only covers the six-year period governing the completion of the BRAC process. Many cleanup procedures, particularly those for decontaminating groundwater, will probably take longer than six years and will incur additional operating and support costs.

Cleanup costs have already grown significantly beyond DoD's initial estimates for the first two rounds of base closures and are likely to increase further. In January 1990, for example, the Department of Defense estimated that it would spend about \$570 million to clean up bases being closed by BRAC I; in March 1996, DoD's estimate increased to about \$1.1 billion. DoD's spending plans for cleaning up BRAC II bases have also increased dramatically. According to DoD estimates,

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4. General Accounting Office, *Military Bases: Case Studies on Selected Bases Closed in 1988 and 1991* (August 1995), p.6.

spending during the cleanup period for those bases has increased from about \$800 million in 1991 to almost \$2 billion in 1995.

Cleanup costs are increasing for a variety of reasons, the most important of which is the Department of Defense's increased understanding of the full scope of the task it faces. In its preliminary work, DoD has discovered additional contaminated sites and different and more extensive pollution than originally estimated. Estimated costs are likely to continue to increase because most of DoD's work—including 84 bases for which cleanup plans have been completed—is still in the early phase of identifying and characterizing contamination problems. Higher cleanup standards and more expensive decontamination technologies than originally anticipated have also contributed to greater costs.

Although environmental contamination on closing bases poses a huge technical and financial challenge, it does not generally pose an immediate obstacle to carrying out most current reuse plans. First, the law does not require DoD to complete cleanup actions on property it retains or transfers to other federal agencies before a transfer is completed. (According to reuse plans, DoD or other federal agencies will retain about one-half of the total acreage of former military property on bases closed by the first three rounds of base closures.) In addition, DoD and the Congress have taken steps to permit the reuse of former military property before completing the cleanup of a closing base. The Congress has adopted legislation permitting DoD to lease property or transfer uncontaminated parcels of land to non-federal users.

Nevertheless, contaminated property on closing bases poses significant problems. The uncertainty of the nature and extent of contamination on former bases can discourage potential users and investors from risking involvement when safer alternatives exist. Since clean property is more attractive to potential investors and users, the challenge is to identify such property quickly and promote the transfer of parcels that hold the most promise for economic recovery or public benefit. The Department of Defense could also examine alternative policies governing the way in which cleanup funds are spent. Currently, DoD has assigned high priority to all cleanup sites on closing bases and has received funding that might otherwise not have been available. As the costs of cleanup increase and budgetary constraints grow tighter, DoD may have to choose among the environmental tasks it faces. Under those circumstances, DoD could manage funding for cleanup more effectively if it assigned priority to cleaning up those sites that are most threatening to health and safety (those on the National Priorities List) and those that offer the greatest promise for economic return.

## **CHAPTER VI**

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### **THE COSTS AND SAVINGS OF**

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### **CLOSING AND REALIGNING BASES**

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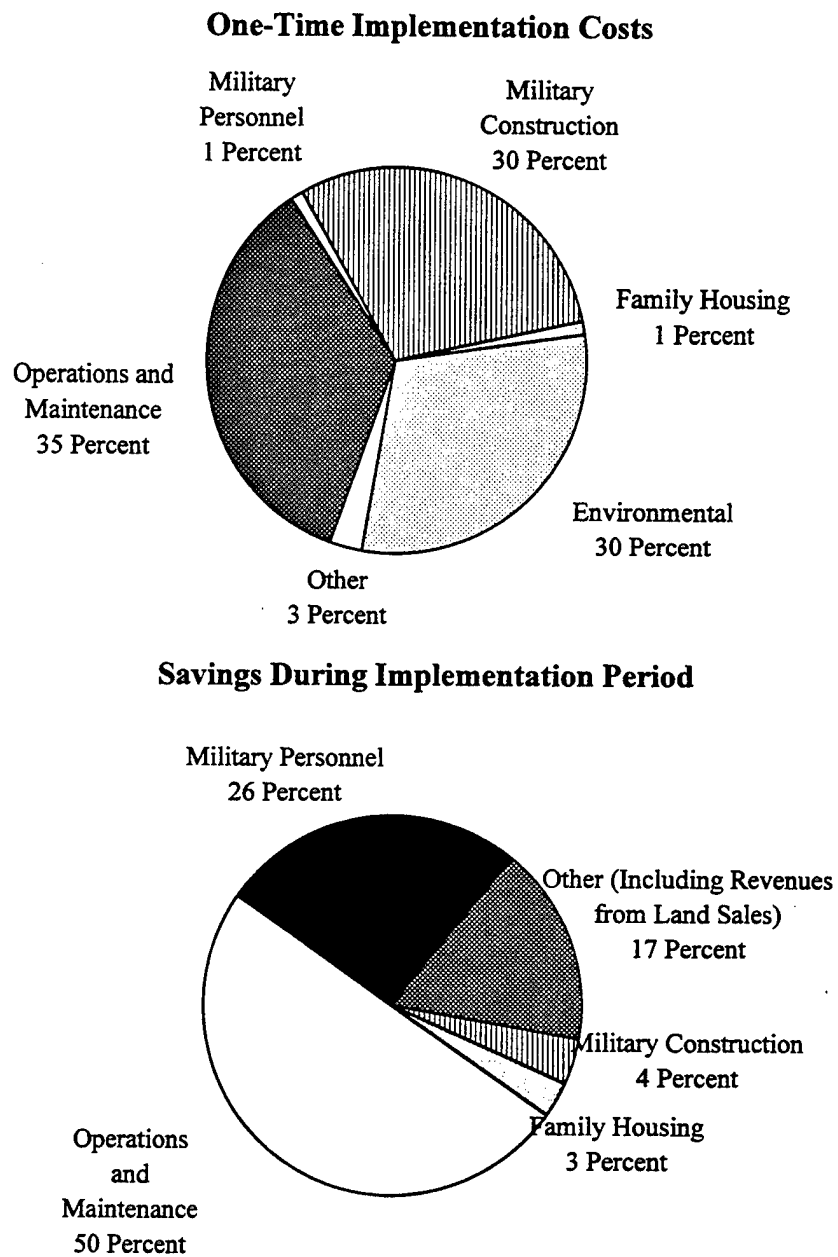
In 1988, the Secretary of Defense directed the services to consider potential costs and savings in determining which bases to close or realign. Potential savings, while not the determining factor for base realignment and closure decisions, nonetheless has been basic in the decisionmaking process. Departmental guidance for the first three rounds of BRAC, for example, required each BRAC action to achieve net savings within six years. Guidance governing BRAC IV actions also required the services to demonstrate potential net savings, although the time frame was left unspecified. In short, BRAC cutbacks in the defense base support structure must not only meet the Department of Defense's primary criterion—military value—but must achieve real savings in doing so.

The analysis contained in this chapter is based on Department of Defense projections of costs and savings for the four rounds of BRAC. Although DoD has begun to collect information on actual cost and savings, it is not currently able to provide enough data on which to base analysis. Nevertheless, it is useful to compare initial with current projections to assess the general reliability of DoD's estimates, especially when considering whether to proceed with an additional round of base closures. The analysis contained in this chapter could serve as a benchmark for evaluating DoD's performance with respect to costs and savings as actual figures become available.

According to DoD estimates, BRAC actions will yield about \$56.7 billion in net savings over a 20-year period discounted to present value. (DoD's estimate applied a discount rate of 4.2 percent.) Most of those savings will accrue after the implementation period, however, during which most of the expenses of closing and realigning occur. According to DoD estimates for all rounds of BRAC, the Department of Defense will spend a total of about \$23.4 billion during the period during which the program is put into effect. Total projected savings for the same period could approach \$28.7 billion, providing net savings of about \$5.3 billion.

According to DoD, most of the costs of carrying out BRAC decisions are divided among operations and maintenance, military construction, and environmental cleanup (see Figure 11). Operations and maintenance costs include spending for increased overhead at receiving bases covering expanded base operations and support, maintenance of property, administrative support, and allowances for housing. Military construction costs cover the expenses of rehabilitating, expanding,

FIGURE 11. PROFILE OF TOTAL BRAC COSTS AND SAVINGS BY ACCOUNT



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SOURCE: Data from the Department of Defense.

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and constructing new facilities to receive personnel and equipment transferred to a base. Spending for environmental cleanup covers initial assessment, evaluation and testing of contamination, and rehabilitation.

The Department of Defense could increase net savings for BRAC by taking action in the following major categories:

- o Reducing costs of military construction by finding alternative ways to accommodate living and working requirements for transferred personnel could yield significant savings.
- o Delaying certain construction projects could result in temporary cost reductions while the services determined whether projected requirements were valid.
- o Delaying environmental cleanup projects could reduce near-term costs temporarily, but could also require renegotiating cleanup agreements with the Environmental Protection Agency and local regulators. Such delays could also affect the timeliness of reusing base property and local economic recovery.

By closing and realigning bases, DoD estimates it will save about \$14.3 billion in operating and maintenance costs during periods when BRAC is being carried out—about half of the projected savings from BRAC (see Figure 11). Those savings include spending that is no longer required for operating and maintaining bases as well as for civilian personnel whose jobs are eliminated. Cutbacks in military personnel will save about \$7.5 billion—about a quarter of the total projected savings—during the period in which base closings are being carried out.

Officials of the Department of Defense believe that DoD has realized its projected savings and will continue to do so because the Department has incorporated them into future budget plans and projections. DoD has not, however, audited the results of BRAC decisions to determine whether their projections for costs and savings are being achieved. If actual costs prove to be higher (or net savings are lower) than DoD's projections, the Department of Defense must seek additional funding to carry out the BRAC schedule.

CBO cannot evaluate the accuracy of DoD's estimates without empirical data. Comparing DoD's initial and current estimates for BRAC costs and savings, however, indicates that its projections vary significantly. According to the Department of Defense's most recent estimates, it does not expect to achieve the level of net savings that it had initially anticipated for BRAC I.

Indeed, DoD's initial projections for total net savings during the period for carrying out BRAC I were too optimistic (see Figure 12). In January 1990, DoD estimated that the first round of base closures and realignments could achieve about \$850 million in net savings during the period from 1990 through 1995. (The estimate includes the cost of environmental cleanup.) The Department of Defense now estimates that BRAC I actions will not produce net savings during the time they are put into practice, but will result in net costs of about \$500 million. DoD's current estimate represents about \$1.3 billion less in savings than the Department originally estimated for BRAC I actions. DoD believes, however, that total savings will begin to exceed the total costs of carrying out BRAC I during 1997.

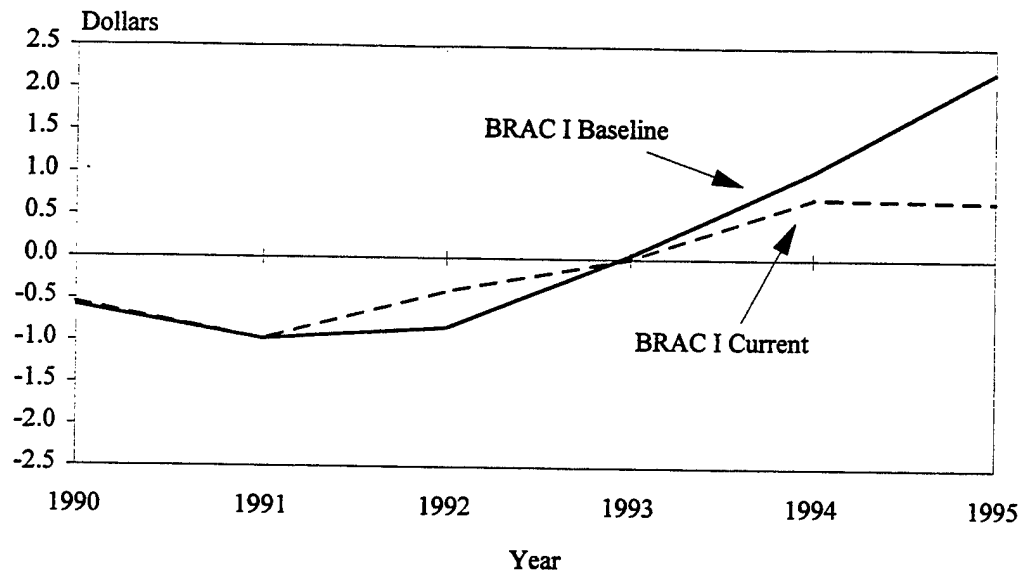
Why has DoD been unable to achieve the savings it expected? First, the Department of Defense overestimated the potential revenues it could generate through the sale of surplus property (see Figure 13). In 1990, DoD estimated that the sale of property on former military bases could raise about \$2.4 billion in revenues. In fact, however, the Department of Defense has received only about \$74 million in revenues during the past five years. The shortfall explains many of the inaccuracies contained in DoD's early estimates for BRAC I.

Second, DoD underestimated the cost of cleaning up closing bases (see Figure 14). The Department of Defense initially estimated that it would cost about \$570 million to rehabilitate BRAC I bases during the period in which the program was carried out. Currently, DoD estimates that it will cost about \$1.1 billion. Environmental assessments of BRAC I bases have identified a number of environmental problems not known at the time of DoD's initial estimates. Investigators have identified additional contaminated sites and more varied and extensive contamination than originally believed. In addition, higher cleanup standards than anticipated have required more expensive rehabilitation techniques.

DoD's optimistic estimates for revenues from land sales and the cost of environmental cleanup for BRAC I bases, however, have been partially offset by lower net costs of military construction and operations and maintenance. The Department of Defense initially estimated that the net costs of military construction for those bases could total about \$1.9 billion. DoD's current estimate is only slightly more than half that, about \$1 billion. Estimates for the costs of operations and maintenance have decreased from about \$870 million to about \$490 million.

The Department of Defense's estimates for savings in other major categories have remained constant during the 1990-1995 period. DoD's initial and current estimates still project that it will save about \$900 million in spending for operations and maintenance and about \$1 million in expenditures for military personnel.

FIGURE 12. BASELINE AND CURRENT ESTIMATES OF ANNUAL NET SAVINGS FROM CARRYING OUT BRAC I (In billions of 1997 dollars)



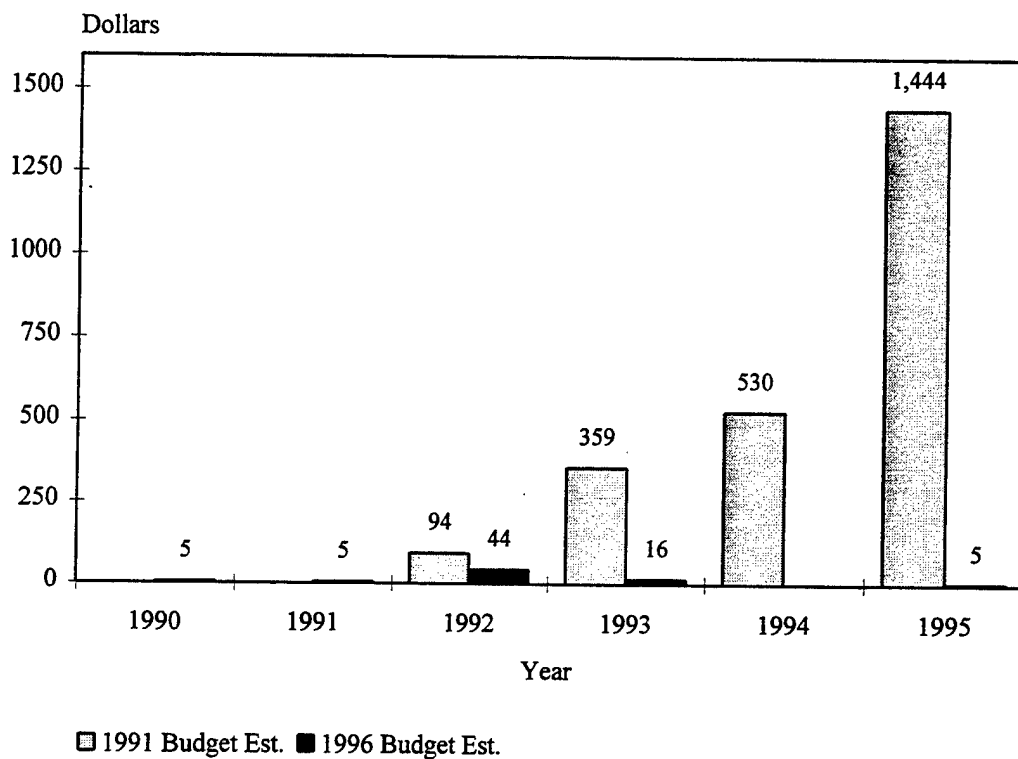
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SOURCE: Data from the Department of Defense.

NOTE: BRAC = Base Realignment and Closure.

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FIGURE 13. PROJECTED LAND REVENUES FOR BRAC I, FISCAL YEARS 1991 AND 1996 BUDGET ESTIMATES (In millions of 1997 dollars)

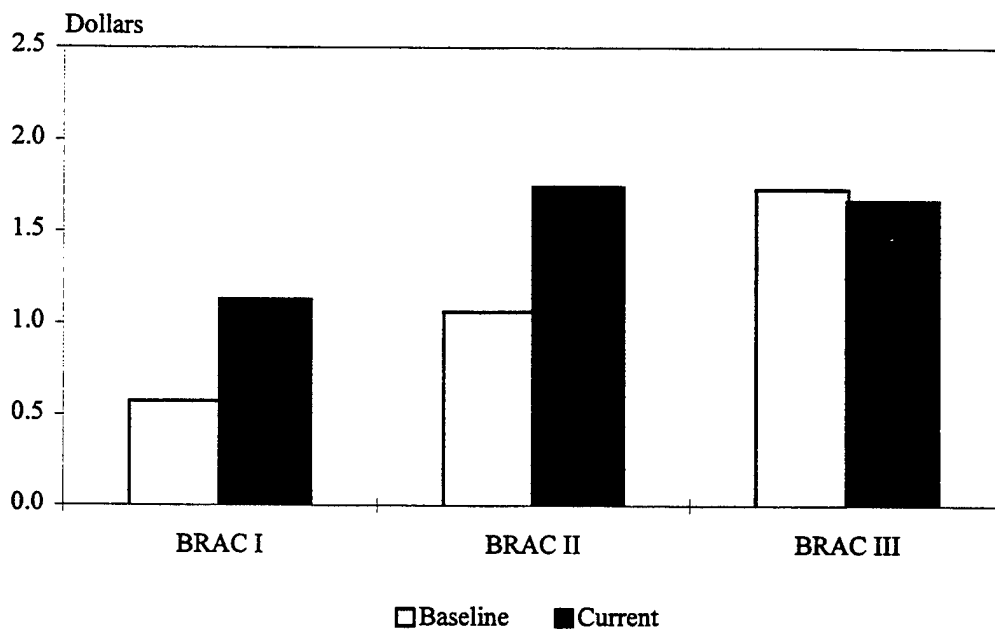


SOURCE: Congressional Budget Office, based on data from Department of Defense Base Realignment and Closure Budget estimates.

NOTE: BRAC = Base Realignment and Closure.



FIGURE 14. COMPARISON OF BASELINE AND CURRENT ENVIRONMENTAL COST ESTIMATES, BRAC I - III (In billions of 1997 dollars)



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SOURCE: Data from the Department of Defense.

NOTE: BRAC = Base Realignment and Closure.

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A comparison of DoD's initial and current estimates for BRAC II bases also suggests that early projections were too optimistic (see Figure 15). In 1992, DoD estimated that it could achieve about \$2.9 billion in net savings during the 1992-1997 period for the second round of closing and realigning bases. The Department of Defense currently estimates that it will save only about \$1 billion—approximately \$1.9 billion less than originally anticipated.

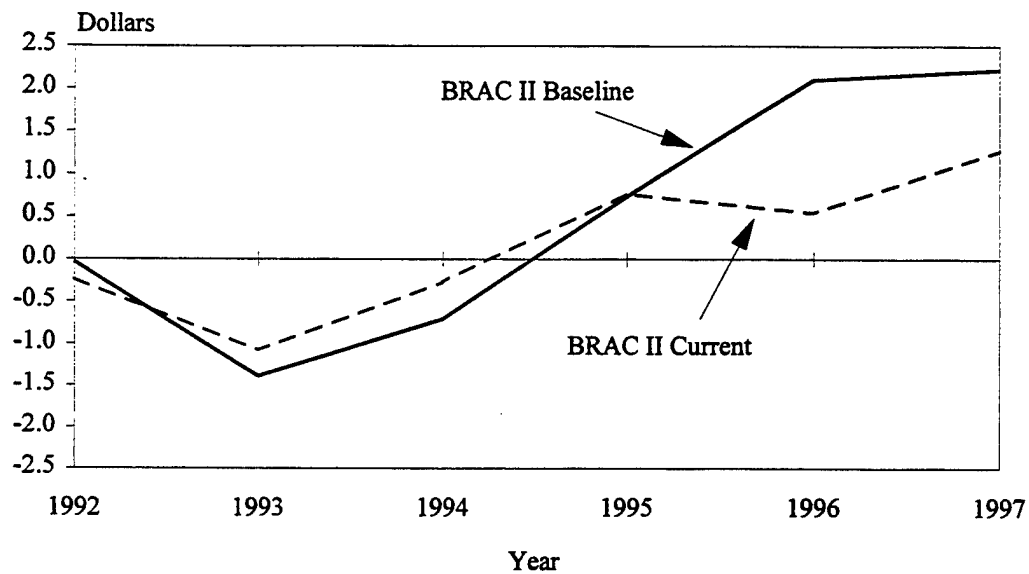
The same factors that explained the major sources of variance in DoD's estimates for BRAC I apply to its changing estimates for BRAC II. For example, the Department of Defense originally estimated that it would receive about \$1.8 billion through the sale of surplus military property on BRAC II bases. But those revenues will only amount to about \$38 million, according to current estimates. The estimated cost of environmental cleanup for BRAC II bases has increased at a rate approximating the changing estimates for the cost of rehabilitating BRAC I bases. DoD currently estimates that it will cost about \$1.7 billion to rehabilitate BRAC II bases between 1992 and 1997, compared with its initial estimate of about \$1.1 billion.

Current estimates for costs and savings for other BRAC II actions also reflect significant changes from initial projections. For example, although the estimated cost for putting operations and maintenance changes into effect has risen about \$300 million above initial estimates, the anticipated savings in operation and maintenance have decreased from \$3.2 billion to \$2.8 billion. Estimates for the cost of military construction have decreased from about \$2.4 billion initially to about \$1.8 billion as of March 1996. DoD's initial estimates of savings for military personnel have increased from about \$2 billion to \$2.5 billion.

Given the major adjustments that DoD has made in estimates of costs and savings for carrying out the first two rounds of BRAC, is it reasonable to assume that there will be similar variances in estimates of the final two rounds? Has DoD learned from its experiences during BRAC I and BRAC II? Certainly DoD's estimates for BRAC III are far less optimistic than for earlier rounds. For example, unlike estimates for earlier rounds, those for BRAC III do not anticipate that the Department of Defense will achieve any net savings during the period in which changes are carried out (see Figure 16). DoD initially projected that the net costs of carrying out BRAC III during 1994 to 1999 would be about \$715 million. This year, DoD estimates that those costs could be about \$553 million.

DoD's estimates for revenues from sales of surplus property under BRAC III appear to be far less optimistic than its estimates for earlier rounds. Property sales will generate only about \$244 million in revenue, according to current estimates—significantly less than the \$2.4 billion originally anticipated for

FIGURE 15. BASELINE AND CURRENT ESTIMATES OF ANNUAL NET SAVINGS FROM CARRYING OUT BRAC II (In billions of 1997 dollars)



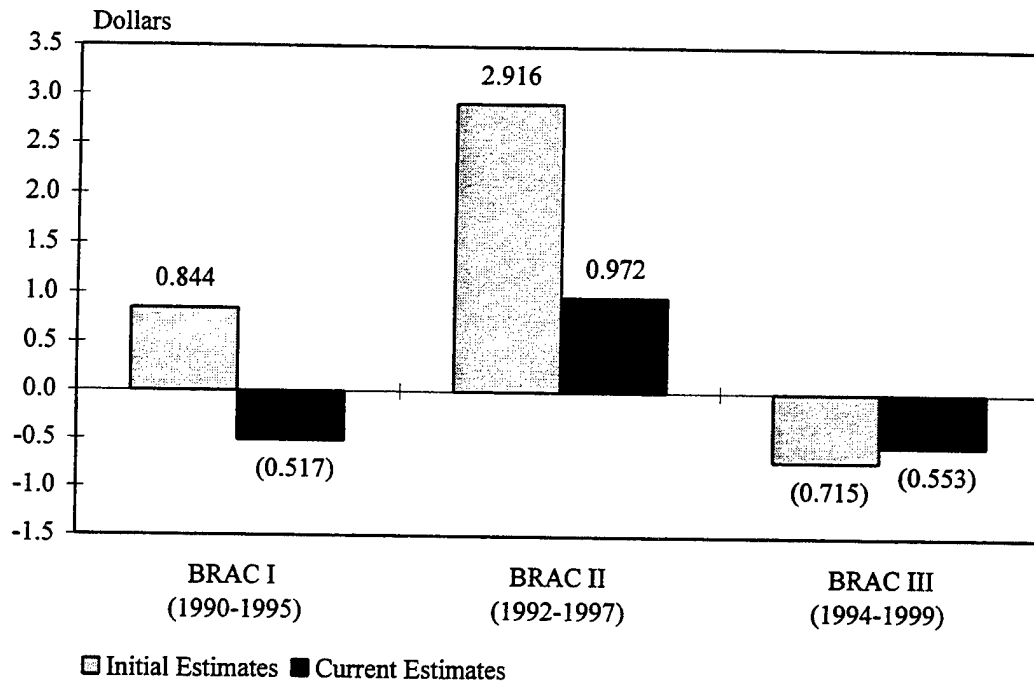
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SOURCE: Data from the Department of Defense.

NOTE: BRAC = Base Realignment and Closure.

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FIGURE 16. INITIAL AND CURRENT DEPARTMENT OF DEFENSE ESTIMATES FOR NET SAVINGS DURING BASE REALIGNMENTS AND CLOSURES AS OF DECEMBER 7, 1995 (In billions of 1997 dollars)



SOURCE: Data from the Department of Defense.

BRAC I and the \$1.8 billion projected for BRAC II. Nevertheless, DoD's current estimate for revenues from land sales may still be optimistic because it is \$200 million higher than the current estimate for sales from BRAC II and has been reduced by about \$300 million from the Department of Defense's projections of a year ago.

The Department of Defense's cost estimate for cleaning up environmental contamination also appears to reflect the increasing costs in earlier rounds. Cleaning up BRAC III bases could cost about \$1.7 billion during the period when bases are being closed, according to DoD's initial estimate, which was considerably higher than initial estimates for BRAC I (\$570 million) and BRAC II (\$1.1 billion). DoD's current estimate for BRAC III cleanup—about \$1.7 billion—may still be optimistic, however, as work on cleaning contaminated sites shifts from studying the problems to actually decontaminating the sites.<sup>1</sup>

Initial and current estimates for other major categories of costs and savings for BRAC III bases also vary, but do not significantly affect DoD's estimate for total net savings. The estimated costs of military construction, for example, have decreased from about \$3 billion to about \$2.6 billion. Costs of increased operations and maintenance have grown from about \$3.1 billion to about \$3.3 billion. The Department of Defense estimates that savings in operations and maintenance from closing bases has increased from an initial \$3.6 billion to about \$4.5 billion. Savings from reducing the number of military personnel and other expenditures, however, have decreased from about \$3.2 billion to about \$2.3 billion.

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1. See Congressional Budget Office, *Cleaning Up Defense Installations: Issues and Options* (January 1995).

## CHAPTER VII

### CONCLUSION

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During the past nine years, the Congress and the executive branch have worked together to establish and carry out a comprehensive system for closing military bases in the United States. Based on available information, the Congressional Budget Office believes that the Base Realignment and Closure process has evolved into an effective approach to closing military bases that will result in significant long-term savings. A final assessment, however, must await full execution of BRAC decisions. As of April 1996, the Department of Defense had closed only about half of the major bases called for by BRAC I through BRAC IV. Information about the actual impact of base closings on workers and communities, therefore, is limited. Many more years will be required before a comprehensive assessment of the BRAC process can be made on the basis of empirical data.

Until such information becomes available, evaluating the BRAC process must be limited to assessing the process itself, the achievement of planning milestones, and DoD's projections of the potential impacts of BRAC. This study, therefore, is intended as an interim assessment, defining the progress of BRAC to date and identifying and analyzing DoD's projections for subsequent analysis when the BRAC process and community response is complete.

Perhaps the most immediate measure of the success of the BRAC process is the fact that the Department of Defense is closing hundreds of surplus military installations. Before the enactment of BRAC legislation in 1988, the DoD had not closed any major military bases for more than a decade, even though the Secretary of Defense had requested funding from the Congress to do so. During that period, the Congress effectively discouraged the Department of Defense from closing any bases by enacting laws establishing time-consuming procedures and requiring DoD to submit extensive reports on various aspects of closing bases. By waiving those requirements and permitting no Congressional adjustments in voting on the recommendations by the BRAC Commission, the 1988 law assured DoD that it would be permitted to close military bases recommended by the BRAC commission.

BRAC legislation also took an important step toward making sure that closing bases would not endanger national security. The law authorized the Secretary of Defense to require the services to give priority consideration to the military value of an installation in determining which ones to close. The Secretary instructed the services to make sure that current and future mission requirements and operational readiness objectives be met, and that contingency, mobilization, and total

force requirements be taken into account. This study did not review or analyze the military worth of the Department of Defense's selections and the BRAC Commission's recommendations.

Most of the bases being closed during the first three rounds of BRAC, however, were bases used by operational forces generally corresponding with reductions in the force structure called for by the Bottom Up Review, which contains the Clinton Administration's basic military strategy and force policy guidelines. Successive BRACs also closed an increasing number of administrative and support bases to meet BRAC's long-term objective of reducing the services' infrastructure. By requiring that the Department of Defense consider prioritizing national security requirements, however, the BRAC process incorporated a mechanism essential in addressing concern for the nation's military interests.

BRAC closures and realignments have generally proceeded smoothly. The Department of Defense is closing bases according to the schedule that the services established in compliance with the law requiring all actions to be completed within six years. In addition, successive BRAC commissions made relatively few changes in earlier decisions, thereby avoiding the potential confusion that could result if many changes were made. Communities and federal agencies have cooperated in planning the reuse of former military properties in accordance with laws and regulations governing priorities among claimants.

Carrying out BRAC, however, extends beyond closing and realigning bases and planning their reuse. It also seeks to minimize economic dislocation for affected communities and to assist workers and businesses in need of help. DoD and the Congress have taken important steps to help those affected by closing bases, including planning to transfer about 20 percent of former base property for use by communities for public benefit. When those plans are carried out, local authorities will use those properties to convert former military air bases to commercial use for parks and recreational areas, educational facilities, homeless assistance, and state prisons. Communities also plan to use a considerable amount of surplus property for economic development that can create new employment. The federal government is also giving communities and workers substantial financial assistance to help manage the transition. As of August 1996, for example, the federal government awarded about \$559 million in assistance grants to communities and workers affected by the first three rounds of BRAC. The Congress could consider requesting information and analysis of the effectiveness of those assistance grants as part of the Department of Defense's annual report on BRAC activities.

The Congress and executive agencies have also taken steps to accelerate the transfer and reuse of former military property to aid communities in local economic

recovery. The government has adopted regulations outlining a strict timetable for federal agencies to review surplus property that is available for transfer. To accelerate reuse, recent legislation authorized the lease of surplus property without completing environmental cleanup activities. Other legislation authorized the Department of Defense to identify parcels of uncontaminated property to accelerate their transfer. Communities may request transfer of property for economic recovery purposes at advantageous financial rates that can offer local governments substantial discounts below fair market value but can provide the federal government with long-term revenues.

Each of those measures can help facilitate and accelerate the transfer and reuse of surplus military property. DoD however, was unable to provide comprehensive statistics about how each of those measures has been carried out. The Congress could consider requesting the Department of Defense to report on those initiatives as a part of DoD's annual report on BRAC.

Although planning and assistance programs for communities and workers are functioning effectively, not much is known about the actual effects of base closings on communities. DoD's projections indicate that BRAC will have little effect on employment nationwide and could cause significant problems for only a few small communities that have been highly dependent on local military bases. Analysts have not yet undertaken a comprehensive examination of the actual economic effects of closing military bases. Since only half of the bases scheduled by BRAC have been closed and relatively little time has passed since the first two rounds of BRAC were completed, it is premature to assess the actual local impact of base closures. A recent study by RAND comparing initial estimates with actual data suggests that for a sampling of communities in California, the local effects of closing bases were not as negative as many projections predicted.

Based on limited audit information, the Congressional Budget Office believes that BRAC will save the federal government significant funds in the long term, but is unable to ascertain the full extent of those savings because DoD does not track or report to the Congress on actual savings that have accrued. DoD's projections of BRAC savings, although they vary significantly from initial estimates, suggest that major savings could be expected. Indeed, the Department of Defense has incorporated those savings estimates into budget plans for the Future Years Defense Program. Many people remain concerned, however, that failure to achieve projected savings that have been programmed into the budget could require program adjustments to meet real budgetary constraints. The Congress could consider asking DoD to establish an information system that would track the actual costs and savings of closing military bases. The system could apply to BRAC IV bases because DoD is just beginning to shut down those bases and virtually all of the work remains to be



done. Such information could provide valuable data if DoD considers closing additional bases beyond BRAC IV, or if the Congress considers authorizing an additional commission for base closure.

The Congress could consider authorizing an additional round of base closures if the Department of Defense believes that there is a surplus of military capacity after all rounds of BRAC have been carried out. That consideration, however, should follow an interval during which DoD and independent analysts examine the actual impact of the measures that have been taken thus far. Such a pause would allow the Department of Defense to collect data necessary to evaluate the effectiveness of initiatives and to determine the actual costs incurred and savings achieved. Additional time would also allow a more informed assessment of the local impacts of bases already closed by BRAC.

# **CBO PAPERS**

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